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## CONTENTS

CHAPTER	PAGE
<p>I. Geography and Population of Iran .. ..</p> <p style="padding-left: 40px;">Area; Climate; Geology; Topography; Rivers; Population; Towns.</p>	13
<p>II. Natural Resources of Iran .. ..</p> <p style="padding-left: 40px;">Forest Resources; Animal Resources and Products; Fisheries; Minerals.</p>	22
<p>III. Agriculture In Iran .. ..</p> <p style="padding-left: 40px;">Agricultural Regions; Land Ownership ; Land Tenure System; Methods of Irrigation; Agricultural Methods; Main Crops; Agricultural Marketing; Agricul- tural Finance; State Policy with regard to Agriculture; Estimation of Iranian Agriculture.</p>	41
<p>IV. Industries in Iran .. ..</p> <p style="padding-left: 40px;">Cottage Industries; Factory Industries; Fishing Industry; Potentialities for further Development of Industries; State Interest in Industrial Development; Labour Con- ditions and Trade Union Movement.</p>	69
<p>V. The Oil Industry of Iran .. ..</p> <p style="padding-left: 40px;">Geographical Location of Oil Fields; Origin and Development of Oil Industry; The Different Concessions; Irano-Soviet Oil Agreement (1946); Comparison of Yield with other Countries; Possibilities of further Development; Capital Invest-</p>	85

CHAPTER	PAGE
ment in Industry; Organization; Trade in Oil; Benefits of the Oil Industry.	
VI. Foreign Trade of Iran'.. .. .	107
Historical Development of Foreign Trade; Character of Foreign Trade; Main Sources of Imports and Exports; Categories of Imports and Exports; Participants in Foreign Trade; Trade Centres and Ports; Important Trade Routes; India's Trade with Iran.	
VII. Means of Transport and Communications in Iran .. .. .	138
Roads; Railways; Developments during War; Water Transport; Air Transport; Posts & Telegraphs; Broadcasting.	
VIII. Currency and Banking in Iran .. .. .	150
Currency; Exchange; Paper Notes; Banking.	
IX. State Finance in Iran .. .. .	159
Position before 1906; After 1906; During Reza Shah Regime and After; Iranian Budget.	

## FOREWORD

Within less than two years of the foundation of the Indo-Iranian Association in Delhi, following the visit of the Iranian Cultural Mission to India in March 1944, I am very pleased to see that young scholars in India have begun to take deep interest in Iranian studies and are writing books on the subjects which are bound to further the cultural and intellectual relations between India and Iran. Only a year ago, Mr. A. B. Rajput published a book, 'Iran Today'—an informative treatise on Iran which has proved extremely popular and is now running into a second edition. Now comes another scholarly attempt—a deep analytical study of the economic conditions of Iran by Mr. R. N. Gupta, who after two years of research has produced this valuable and exhaustive work. It is evident that the author has taken real pains in collecting up-to-date statistics and facts and figures from numerous sources.

Mr. Gupta has dealt with the economic conditions in Iran not only as they are today, but also as they existed in the past centuries. As an able historian, he has traced the development of the economic life of the country over various stages, leading up to the era of reforms which began about 20 years ago. He also mentions of the schemes and plans which are now in view. As a keen observer he gives explanation for some of the evils in the state of affairs in Iran and as a good friend he shows the way to improve them. Sometimes, his observations appear to be too critical, but I think, a frank expression of opinion is always the best. We have a maxim in Iranian which says "your friend is one who tells you your faults and not the one who gloats over your merits."

It is from this point of view that I welcome the scholar-

ly research work of Mr. Gupta on Iran and I am grateful to him for enriching the existing literature on Indo-Iranian culture and friendship.

The two great countries—Iran and India—have stood in close cultural relationship with each other since the dawn of history and I am glad to quote in this connection an extract from the famous book “Discovery of India” by the distinguished historian and eminent writer Pandit Jawahar Lal Nehru.

“Among the many peoples and races who have come in contact with and influenced India’s life and culture, the oldest and most persistent have been the Iranians. . . . Racially connected, their old religions and languages also had common background. The Vedic religion had much in common with Zoroastrianism, and Vedic Sanskrit and the old Pahlavi, the language of the Avesta, closely resemble each other. . . . In India Iranian influence was continuous, and during the Afghan and Mughal period in India, Iranian was the court language of the country. . . . Even the Dravidian languages of the south have been influenced by Iranian. India had produced in the past some brilliant poets in the Iranian language, and even today there are many fine scholars of Iranian, both Hindu and Muslim. . . . There is also some evidence to show that there were contacts between Iran and India in the pre-Achaemian period. India is mentioned in the Avesta and there is also some kind of a description of north India in it. In the Rig Veda there are references to Iran—the Iranians were called “Parshavas,” from which the modern word “Parsi” is derived. . . . Iran and north India were thus traditionally interested in each other from the most ancient times, prior to the Achæmian dynasty. . . . with Cyrus the Great, King of Kings, we have record of further contacts. . . Few people have been more closely related in origin throughout history than the people of India and the people of Iran. . . .”

The statistics in this publication have been incorporated after selection with due care and attention, and the source has been pointed out wherever possible, but still, if it happens that some figures do not correspond entirely to the real state of affairs in Iran, I must admit, it is not due to any lack of study or precision on the part of Mr. Gupta, but because the system of the collection of statistics in Iran is very recent and rather not yet perfect.

It is hoped that this book will find popularity with the public in general and with the scholars of Economics in particular which in turn will lead encouragement to Mr. Gupta and will serve as an incentive for him to pursue his research on so many other subjects on Iran.

NEW DELHI  
4th February, 1947

ALI MOTAMEDY  
*Consul General for Iran in India*



## PREFACE

Since the end of World War II in Europe Iran has often occupied the headlines in the world's press. A series of events beginning with the Kurdish rebellion, the Azerbaijan autonomy movement, the question of the evacuation of foreign troops from Iranian soil, the Iranian appeal to the U. N. O. to secure the withdrawal of Russian troops, the Russo-Iranian Oil Agreement, the evacuation of Russian troops, the civil strife between Azerbaijan and the Central Government, the tribal revolt, the labour strike in the Iranian oil fields, the general elections in the country, and finally the occupation of Azerbaijan province by the troops of the Central Government, are some of the recent happenings which have kept alive world interest in Iranian affairs.

India has looked at all these developments in the political life of Iran with much more than a stranger's interest. For, India is Iran's next door neighbour and through centuries of close contacts, extending as far back as the pre-Achaemian period, she is bound to that great country through innumerable ties of geography, history, culture, race, religion and language. Both countries face problems—political, economic and social, which are in many ways similar to one another. Whatever political or economic events, therefore, take place in Iran, have an important bearing on the future of this country. The last World War has drawn the two countries still nearer to each other, and today they are more closely knit together in the economic field than at any other time in history. Prior to the second World War, India occupied the fifth place in the foreign trade of Iran; today she is the chief supplier of Iran's commercial imports. Similarly in the matter of exports,

Iran supplies about 24.5 per cent of the total of imported goods into India, which means that after U. S. A., she is the most important supplier of imported goods to India.

My intention in writing the present volume has been to bring into prominent relief the economic conditions in Iran at the present time and to demonstrate their closeness to the problems facing India. There are a number of good books which have been written by esteemed authors which depict the intimate cultural relationship between India and Iran, but there are hardly any which deal with the economic conditions of the people of Iran or the economic ties that bind the two neighbouring countries together. For the same reason my task in attempting a work of this kind has been full of serious difficulties. There is a dearth of material, lack of reliable information and paucity of statistical data in relation to the economic conditions of people in Iran, and often I have had to wade through volumes of books and reference guides before I could succeed in piecing together small droplets of information about the various aspects of economic life in that country. I have made an attempt to use the most authentic facts and figures, and the source has been pointed out wherever possible; but still I lay no claim to infallibility or exhaustiveness. It is possible that some of the figures may be wrong and the facts may not entirely correspond to the existing state of affairs in the country, but I shall be only too glad to correct such mistakes in subsequent editions and shall feel greatly obliged for all suggestions and constructive criticism.

In writing this book, I have derived much useful information from government records and Iranian government papers. A list of the books and other papers consulted has been given at the end in the Bibliography.

I am greatly indebted to H. E. Aquí Ali Motamedy the Consul General for Iran who has written a foreword to this book and who has greatly encouraged me in my



endeavour by supplying me with information in relation to the various chapters in this book. My thanks are also due to Maj. P. W. R. Homfray and Mr. C. Biswas of the Administrative Intelligence Room, Commerce Department, Government of India, New Delhi, who supplied me with economic charts published in this book and to Lt. A. P. Greaves of the United Publications who lent me the use of some of his blocks.

If this book serves, even to some extent, its purpose of presenting an objective and impartial analysis of the economic conditions of Iran—a country much similar in the vastness and extent of its natural wealth to India—I would feel my labour has been amply rewarded.

TILAK STREET  
*Kashmiri Gate, Delhi*  
28-2-1947

NAWAB SALAR JUNG BAHADUR  
RAJ NARAIN GUPTA



## CHAPTER I

# GEOGRAPHY AND POPULATION OF IRAN

### § 1. AREA

Iran lies between the Armenian knot on the west and the Pamirs on the east or between the  $25^{\circ}$  and  $40^{\circ}$  north latitude and between  $44^{\circ}$  and  $63^{\circ} 30'$  east longitude. It is a kingdom with an area of 6,28,000 square miles, almost equal to France, Spain, Portugal, Switzerland and Italy put together. It is 1400 miles from north-west to south-east and 875 miles from north to east.<sup>1</sup> It is bounded on the north by the Caucasus, the Caspian Sea and Turkistan; on the south by the Indian Ocean and the Persian Gulf; on the east by Afghanistan and British Baluchistan; and on the west by Turkey and Iraq.

### § 2. CLIMATE

The climate is not uniform throughout the country. It differs from region to region. Iran possesses every variety of climate from the extremes of tropical heat near the shores of the Persian Gulf to snow-line cold in the high regions of the Elburz mountains. Climatically as well as geographically, the country could be divided into three parts—the Caspian Sea littoral, the Central plateau, and the Persian Gulf area.

*The Caspian Sea Littoral.* It is comprised of a narrow strip of land in the north which lies between the Caspian Sea and the Elburz mountains. The terrain in this area is lowlying and so abundantly covered with trees and undergrowth as to be often impenetrable. The rainfall, due to very heavy evaporation from the sea, is about 56" per

<sup>1</sup> D. Stamp (1937), p. 150.

annum, which is good compared with the mean rainfall of 13" for the rest of Iran. Temperature is always moderate, but excessive humidity from June to September makes conditions very trying and mosquitoes render the lowland almost uninhabitable. The temperature varies from 32°F. in winter to 90°F. in summer. From November to the middle of April the climate is temperate and healthy.

*The Central Plateau.* This large area covers two-thirds of Iran and has a mean altitude of from 3000 to 4000 feet. Its greater part consists of mountains which run in numerous parallel ranges, generally from north-west to south-east. The countryside is arid and bare, though heavy snowfall in winter keeps the hillsides green, and affords pastures for grazing; while the valleys almost invariably contain streams of clear and fast running water.

There are extremes of temperature; but the atmosphere is clear, dry and invigorating. The summers are no doubt hot and dusty but due to the dryness of the air the heat is easier to bear. The nights are quite pleasant. In winter, three months—December to February—are very trying. Snow falls everywhere and lies on the highest mountain ranges until June or July. The changes in season are very sudden and the hottest months are July and August, when the average maximum temperature in shade is 105° F. Dust, glare, flies and sandflies are the worst features of the summer. Rainfall is scanty and variable, generally occurring from November to March.

*Persian Gulf Littoral.* The terrain is a flat alluvial plain, broken only at one place, near Ahwaz, by a thirty-mile range of sandhills rising to 200 feet. The level open plains are mostly barren and sprinkled with desert scrub, though some parts are cultivated. Between the coastal plain and the central plateau is a strip of mountainous country, the Bakhtiari Range, which is extremely difficult for motor transport to negotiate.

The heat from June to September is intense and the





humidity renders the climate particularly trying. In December, January and February, it is cold, but freezing point is seldom reached. The rainfall occurs from November to February and averages about 11" in the west and 4" in the east.

### § 3. GEOLOGY

The central region of Iran is covered by quarternary deposits and is surrounded on the north, west and south by a raised rim composed of older rocks.<sup>2</sup>

Most of the table-land and mountains are of sedimentary formations, largely sandstone, tertiary limestone, chalks and cretaceous rocks; but interspersed among the sedimentary rocks are mountains built up of eruptive rocks and volcanic ash, such as Mounts Damavand, Savalan, and many others. The deserts are composed mainly of saline and sand accumulation.

Geologically the whole of Iran can be divided into three major zones:—

1. The Elburz Mountain (folded mountains with thick sedimentary series showing movement towards the north). Large extinct volcanoes are situated within these ranges.

2. Central Iran—A high plateau region but with large depressions and old crystalline rocks. Extinct volcanoes exist throughout the tertiary.

3. The Zagros System—This contains the mountain belt of south-west and south Iran, with strongly folded and overthrust structures.

### § 4. TOPOGRAPHY

Iran is a great table-land with an elevation of 3000 to 4000 feet. Except on the east, where the plateau merges imperceptibly into that of Afghanistan and Baluchistan, it is surrounded by walls of mountains, and almost every route to the heart of Iran involves an arduous mountain journey.

<sup>2</sup> M. K. Fateh: *Economic Position of Iran*, p. 2.

The table-land of the interior, besides being walled in by mountains, is intersected by lines of mountains having a general trend parallel to that of the boundary ranges. In the north of Iran are the Elburz mountains which are lofty and imposing having peaks rising to 8000 and 10,000 feet and culminating in the extinct volcano of Damavand which is 19,000 feet high. Beyond this mountain, farther north, lies the narrow strip of the Caspian plain which presents a marked contrast to the bleak, sterile mountains and plains of the interior.

On the southern border of Iran lie the Zagros mountains which are probably a continuation of the Taurus mountains and are low in elevation, often approaching the sea. The plains between these mountains and the Persian Gulf, unlike the northern Caspian plains, are dry and barren. On the Gulf there are three ports of some importance, Bushire, Bandar Abbas and Bander Shahpur.

On the eastern side is the vast dark and dreary salt desert of Khorassan (Dasht-i-Kavir and Dasht-i-Lut), a barren area of about 150,000 square miles, extending to the border of Afghanistan.

Between this desert on the east and the mountains on the west there lie plains and valleys which would have been utterly sterile were it not for the supply of water which they receive from the melted snows of the western and northern mountains. Most of the towns of Iran lie in this region.

### § 5. RIVERS

In Iran the number of perennial rivers is very small, and, in many places they are so salty as to be useless for purposes of irrigation. Whatever rivers there are can be classified into five main water basins;<sup>3</sup> namely those of (1) the Caspian littoral, (2) the Persian Gulf and Gulf of Oman littoral, (3) the Central plateau, (4) Lake Urmia, and (5) Lake Hermand.

<sup>3</sup> Foreign Agriculture (U. S. A.), February 1944, pp. 2-3.



The rivers of the Caspian littoral are the most important. Of these the main ones, from west to east, are Aras (Araxes), Gizeh Uzun (Sefid Rud), Gorgan, and Atrak. The Aras river rises south of Erzerum, in Turkey, and flows east through Turkey, Armenia, and forming the Russo-Iranian frontier, empties itself into the Caspian Sea after running a course of 600 miles. The Sefid Rud rises in the mountains of Kurdistan, and has a very tortuous course of nearly 500 miles. It drains about 30,000 square miles of the country. The Gorgan river rises on the Armuto plateau in Khorasan and enters the Caspian having covered a course of about 200 miles. The Atrak rises a few miles from Quchan and enters the Caspian. Its course is about 300 miles, and forms part of the Russo-Iranian frontier in the Trans-Caspian region.

Out of the rivers of the southern littoral (Mand, Naband, Shur, Sarhaz, Jarrahi, Qara Agach, Diyala, Kerkheh, Diz, Hindian, etc.) the Karun river system is the only one of importance. It flows through the fertile Karun valley along the south-western frontier and empties into the Persian Gulf at its northern tip.

Several small rivers and streams traverse the central plateau, but they are of consequence only during heavy rains or when the snows on the hills melt. They have no outlet to the sea and are lost in salt marshes. If the waters of these streams could be collected in dams and stored for irrigation purposes, a large part of the cultivable land of Iran which is now idle could be brought under cultivation.

Lake Urumia lies in the north-west. It is heavily charged with salt and its average depth is only about 15 feet, though it covers an area of about 1,600 square miles, about one-sixth of the Lake Geneva in Switzerland. Fourteen rivers flow into this lake. Its wooded shores and islets give a pleasing appearance to the landscape.

Helmand lies on the Afghan frontier in the east. It is surrounded by great swampy tracts covered with

grass or great reeds. It drains a considerable part of the country in the east.

Besides these two lakes, there is also a third lake in South Iran, known as Nairiz. It is much smaller than Urumia but possesses a greatly indented outline. The beauty of Shiraz is in a large measure due to this lake.

## § 6. POPULATION

No reliable statistics about the total population of Iran are so far available. Only in some more important cities have some census operations been attempted. In the countryside simple village folk feel suspicious about census operations since they interpret it as an attempt at imposing on them further taxation. Whatever estimates, therefore, exist of the population of this country, except for some cities, are based on mere guess work. It is said that about the time of Darius (4th century B. C.) the population of Iran was 50 million while in the days of the Safaveah dynasty (15-18th centuries) it was only 40 million.<sup>4</sup> Malcolm writing in the early part of the 19th century estimated the population at about 60,000,000 accounting for its growth by such factors as the salubrity of climate, the cheapness of provisions, the rare occurrence of famine, the bloodless character of civil wars, the obligation to marry and the comparatively small number of prostitutes. Rawlinson in 1850 estimated the population at 10 million; but in 1873, after two desolating visitations of cholera and famine, he reduced his estimate to 6 million. Earl Curzon, writing in 1892, estimated the population of Iran to be about 9 million. Mr. Shuster put the total at 12 million. An Iranian statistician, who took the estimated census of three large cities as his basis and compared them with the estimates of other writers, finds in his calculations that the population of Iran in 1914 was approximately 15 million.

According to the Statesman's Year Book, 1944 the

<sup>4</sup> M. K. Fatch, pp. 2-3.

total population of Iran is estimated at between 15 and 18 million. But the estimate given by the Department of Overseas Trade (report 1937) is different. According to it, the present population of Iran is about 15 million.

Since Iran had in the past a population three times as great as at present, the question naturally arises as to what have been the causes of this decline in numbers. Several explanations have been suggested for this. It is said that Iran has always been ravaged by wars. In its early history, the Greeks fought all over Iran and later, quite frequently, the Arabs. Later still, the country experienced the exterminating wars of the Turkomans in the eastern provinces, and lastly the civil wars. Early marriage, premature ageing, the great length of the nursing period and the consequent impaired fertility of the female sex, lack of public health consciousness among the citizens, insanitary conditions of living, lack of medical facilities, famines and the ravages of epidemics like typhus, cholera, malaria and plague are suggested as other contributory causes.

The population of Iran is made up of a number of distinct Iranian races (i) the Turks, (ii) the Arabs, (iii) the Baluchis, and (iv) Miscellaneous, including a large number of tribes known as Kurds, the Lurs and Bakhtiaries, the Quashgais and the Kurgelus. These still retain their distinctive ethnological and linguistic characteristics. Seventy-five per cent of the population is engaged in agricultural pursuits and the remaining twenty-five per cent consists of urban artisans and small tradesmen.

The majority of Iranians profess the Shia branch of the Muslim faith; the Kurds are, however, mostly Sunnis. The Shia branch of Islam was constituted the state religion of Iran in 1499. Zoroastrianism was the prevailing religion of Iran until the Arab conquest, after which many of its followers fled to India where they are now known as Parsis. There is, however, still a large number of Zoroastrians in Iran.

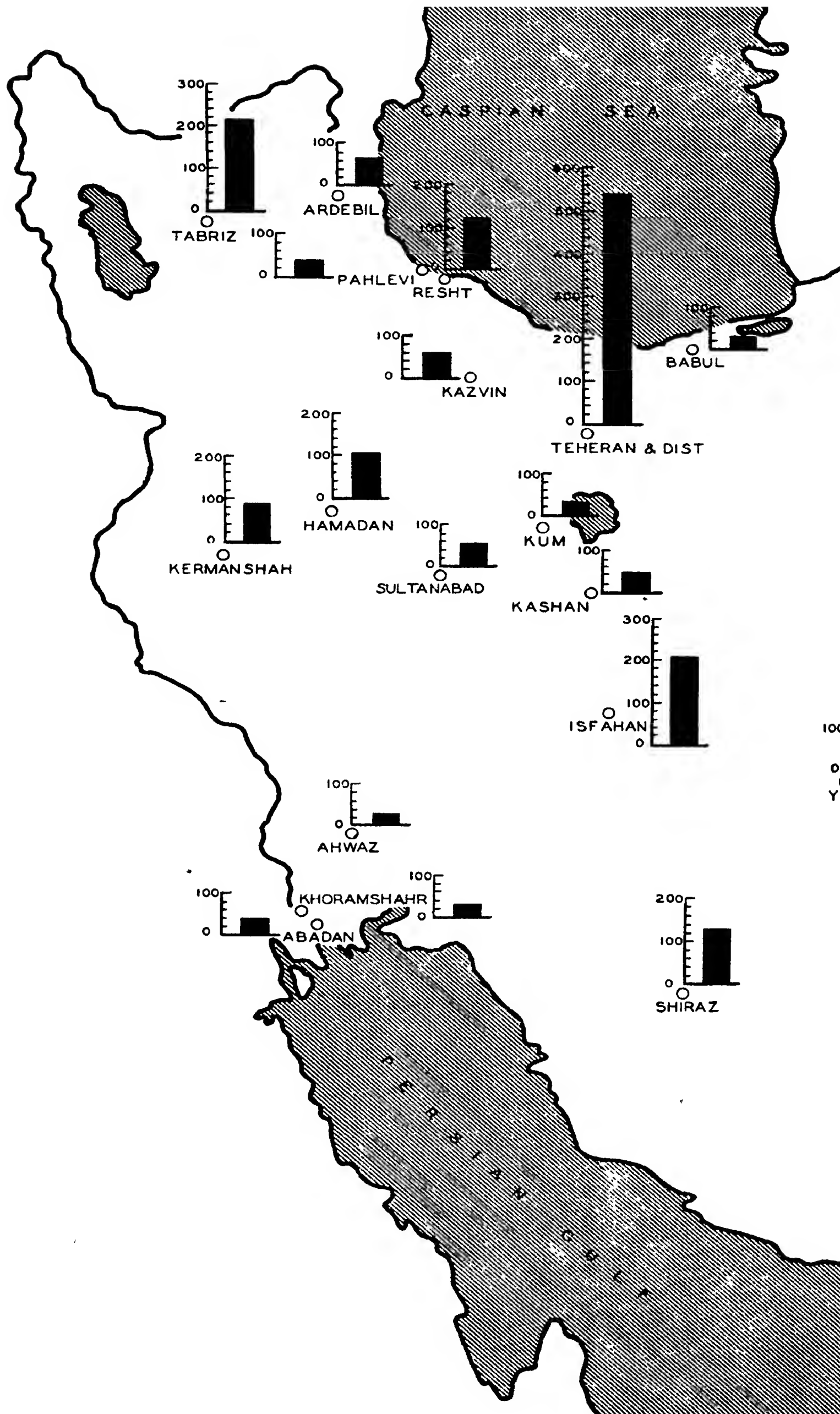
## § 7. IRANIAN TOWNS

The number of towns in Iran is very small, in all about 35. There are only 7 or 8 towns with a population of more than 100,000 inhabitants—Teheran, the capital, (over 800,000), Tabriz, (240,000), Isfahan, the central trade depot, (204,000), Meshed, the famous place of Shia pilgrimage (176,000), Shiraz, the legendary city (129,000), Hamadan, the important railway junction (103,000), and Abadan, the famous oil port (102,000). Other important centres are Ahwaz, Resht, Kermenshah, Kazvin, Yezd and Kerman.

According to the Statesman's Year Book 1944, the population of some cities on 1st March, 1940 was as follows:—

<i>Name of City</i>	<i>Population</i>	<i>Name of City</i>	<i>Population</i>
Teheran & Distt.	.. 5,40,087	Babal .. ..	30,000
Meshed .. ..	1,76,000	Isfahan .. ..	2,05,000
Resht .. ..	1,22,000	Shiraz .. ..	1,29,000
Hamadan .. ..	1,04,000	Kermanshah .. ..	89,000
Tabriz .. ..	2,14,000	Yezd .. ..	60,000
Ardebil .. ..	63,000	Sultanabad .. ..	55,000
Kazvin .. ..	60,000	Kashan .. ..	45,000
Kerman .. ..	50,000	Pahlevi .. ..	37,000
Abadan .. ..	40,000	Khoramshahr .. ..	30,000
Ahwaz .. ..	30,000	Kum .. ..	30,000

Since this estimate was published the population of some of the Iranian cities has increased manifold. Thus Teheran (city alone) which only a few years back had a population of about 300,000, to-day, due to war boom, has a population of 850,000. The population of some of the other important centres of economic activity has also increased considerably, though no exact figures are available.





It will be observed that most of the towns and cities of Iran are located in the northern and western parts of the land. The country on the whole is very thinly populated. The average density of population comes to only about 24 persons to a square mile. Considering the size of the country, which is three times as big as France, and even allowing for the vast desert area in the east, the present population is quite inadequate for the fullest development of the country's natural resources.

## CHAPTER II

### NATURAL RESOURCES OF IRAN

From the point of view of natural resources, Iran is one of the richest countries in the world. Ample fertile lands, potentially abundant minerals, vast forests, adjacent seas rich in fisheries, and above all important oil bearing areas make Iran a country which has great possibilities for development.

Of the total area of Iran, only about 40 per cent is cultivable, the rest being covered with forests or being desert. Of this area, hardly 10 to 15 per cent is actually under cultivation, due mainly to the scarcity of water and lack of irrigation facilities. The soil in itself, however, is quite rich, specially in the Caspian region, and yields very good crops. A detailed description of agriculture in Iran, and of the conditions under which it is carried on will be given in the next chapter. Here we will confine ourselves to an account of the forests, animals, fisheries and mineral wealth of Iran.

#### § 1. FOREST RESOURCES

The forest resources are of immense economic significance and make a rich contribution to the national wealth and welfare of a people. To the agriculturists they promise rain, to the government revenue, to the industries raw materials, and to the villagers fuel and pasture lands. Directly they supply timber, fuel, fodder, edible roots, fruits and numerous other substances like resins, lac, gums, rubber, oils, bamboos, wood pulp, etc., for the industrial development of a country, and indirectly they exercise a powerful influence on its water supply and climate. They induce rainfall, equalise temperature, prevent soil erosion, conserve sub-soil water, check denudation of rocks, obs-



tract flooding and silting of areas and prevent destruction of fertile lands.

Iran possesses considerable forest wealth. About one-eighth of the whole country (50 million acres) is covered with forests. But they are neither properly conserved nor fully exploited. A large part of them, specially in the district of Luristan, is destroyed every year by nomadic tribes, to provide pastures for their flocks. Little use is made of them for industrial purposes. There is no proper forest research institute in the country. Till recently the government was more or less indifferent to these things. But now some attempt is being made to conserve and develop these resources.

*Geographical Division of Forest Areas.* The forest regions of Iran may be divided into the following five sections:—<sup>1</sup>

1. *Mazanderan and Gilan Provinces.* They comprise the richest timber producing regions of the country, extending from the upper limits of Khurasan in the north-east to the heart of Azerbaijan in the north-west. The total area covered by these forests amounts to about 8,890,000 acres, 40% of which has a heavy growth, 40% medium, and 20% thin. Some parts of these forests are so thick that it is impossible to pass through them.

2. *Fars.* This province comprises the second largest timber producing region of Iran. The forests in this region cover an area of about 6,900,000 acres. Though not as extensive as those in the north, they have a different variety of fruit trees which supply local needs; oranges, lemons, pistachios, almonds etc. If properly taken care of, they can produce a surplus crop for export to foreign countries. The trees of this region are also used for supplying wild stock for the grafting of grapes and almonds.

3. *Kurdistan and Luristan Provinces.* This region extends from the mountains of western Azerbaijan down

<sup>1</sup> Foreign Agriculture (U. S. A.), February 1944, p. 39 and M. K. Khan, pp. 22-21.

to the southern reaches of Zagros mountains covering an area of about 27,900,000 acres. It contains principally oak trees, providing about 11,124 million cubic feet of timber a year. Properly conserved, this area can supply timber for the whole south-western part of the country and still have some exportable surplus for Iraq. But the nomadic tribes of this region often burn the forests on a large scale to provide pastures for their flock. Only recently (in January 1943) did the Iranian Majlis pass a law to stop this practice, but for reasons that are discussed later, this law remains more or less a dead letter.

4. *Khurasan*. In this province, there is a region of about 3,200,000 acres covered with cedar forests, which at present are of little economic value. In the rest of the area, there are found desert shrubs and deciduous fruits.

5. *Persian Gulf*. The forests in this region cover an area of about 1,200,000 acres, consisting of several varieties of tropical trees. The trees, however, do not grow well, because the Arabian peninsula attracts nearly all the moisture of the Persian Gulf, leaving very little for the Persian coast.

*Products of the Forest Areas*. The forests of Mazanderan abound in all kinds of timber. Among others, the principal varieties are boxwood, oak, cypress, elm, ash, beech, walnut, maple, alder, ironwood, linden, poplar, willow, silk tree, locust, persimmon, sycamore, tamarisk and several kinds of wild fruit trees. Out of these the boxwood and the walnut are the most important. They are also used for ship building.

Among the other varieties of trees that grow in Iran are the konar trees in Khuzistan, cypresses in Shiraz, groves of dwarf oak in the mountains of the south and west, and juniper in the Khorasan ranges.<sup>2</sup>

Besides the big trees of the species mentioned above, there are also found in Iran some medicinal and colouring plants, which, though they cannot be strictly described

<sup>2</sup> M. K. Khan, p. 21.

as forest products, constitute an important item in the export trade of the country. Among the important varieties of these plants are gum tragacanth, a low thorny bush, found in hilly tracts from Kirman to Kirmanshah; gum-arabic, grown in the south near Shiraz; gum-ammoniac, galbanum and sagapenum produced in the neighbourhood of Isfahan, Shiraz and Khorasan; asafoetida (used in the form of decoction for various ailments, and in solid form as a medicinal condiment) grown near Birjand and Tabas in Khorasan; indigo (used for dyeing cotton and colouring wool) grown in the south-west near Shushter and Dizful; henna (a strong colouring material) cultivated near Yazd and Kirman; saffron grown in Yazd, and gall nuts grown in Kurdistan.

*Trade in Forest Products.* As pointed out before, the forest resources of Iran are not sufficiently developed and the trade in forest-products, therefore, is very meagre. The only important item which appears in the list of exports is gum tragacanth. In 1941-42, the total export of this commodity amounted to 86,218,000 rails.<sup>3</sup> The countries to which it was principally exported were U. K., U. S. S. R., U. S. A. and Sweden.<sup>4</sup> Uptil 1837, boxwood was also exported in considerable quantities to Astrakhan, Rostov on the Don, and even to Liverpool. But since then its export has been prohibited. It is now being extensively used inside the country for making sleepers for the railways.<sup>5</sup>

Medicinal plants and gums, and colouring plants are also exported to foreign countries. In 1922-23, the total export value of the former amounted to 10,383,000 krans and of the latter to 1,559,000 krans. No separate figures are available for the export of these products for later years.<sup>6</sup>

<sup>3</sup> Statesman's Year Book, 1944, p. 1179.

<sup>4</sup> Department of Overseas Trade Report on Economic Conditions in Iran (1937), p. 35.

<sup>5</sup> Ibid., p. 23.

<sup>6</sup> M. K. Khan, p. 20.

Nor are the fruits (except dried) exported in large quantities to foreign markets. At present their export (which is quite insignificant, being about 3% of the total export) is confined only to U. S. S. R., U. K., and India.<sup>7</sup>

*State Interest in Forestry.* The Government of Iran took little interest in the development of forests before the thirties of the present century. But after that period, as a part of its vast programme for national reconstruction, the Government undertook to establish forestry schools and popularise afforestation. A forestry school was opened at Kharkun in Mazanderan in 1934. Further, with a view to mobilizing public opinion in favour of extensive afforestation, the Government fixed March 15 of every year as a tree festival. The export of wood of all kinds was prohibited in 1937, with a view to give a fillip to the indigenous wood industry.<sup>8</sup>

In recent years, the Government has also become aware of the great risk involved in uncontrolled exploitation of forests. To check this practice, it passed a law on January 7, 1943, providing for the conservation and replenishing of forests, and control over their exploitation.<sup>9</sup> The problem is, however, too complicated to be solved adequately by mere legislation. For many long centuries, wood and charcoal have been the main sources of fuel in Iran for heating, cooking and other uses. Traditional practices, social and economic, have been built up on this system. In the plains where there is no wood, people have been forced to burn dried manure, which is an equally harmful practice. Obviously, no effective solution is possible unless an adequate substitute fuel that is within the reach of various localities is provided. Oil and coal are two possibilities, at least as supplements to charcoal.

<sup>7</sup> Department of Overseas Trade Report, p. 35.

<sup>8</sup> Ibid., p. 23.

<sup>9</sup> Foreign Agriculture, February 1944, p. 40.

## § 2. THE ANIMAL RESOURCES AND PRODUCTS

The plains and hills around the plateau of Iran provide good pasture for domestic animals. This has made Iran exceptionally rich in certain animal resources. These and their products form important items in her internal and external trade. Animals like camels and mules, donkeys and horses are the chief means of transport all over Iran, especially in the interior. Raw wool, lambskin, sheep casings, unprepared skins and live animals are exported annually in large quantities. Some of the animals also provide the people with meat and dairy products. Finally, they supply the basic materials for many pastoral industries including carpet-weaving and skins and furs.

*The Different Varieties of Animals.* Among the important animals of Iran are camels and mules, horses and asses, bulls and oxen, and sheep and goats. In 1934-35<sup>10</sup> and on an average between 1939 and 1943<sup>11</sup> their approximate numbers were as follows:—

						(Average)	
						1934-35	1939-43
Horses	..	..	..	..	..	189,000	325,000
Mares	..	..	..	..	..	165,500	..
Donkeys	..	..	..	..	..	1,134,500	145,000
Mules	..	..	..	..	..	52,900	50,000
Bulls & Oxen	..	..	..	..	..	1,257,400	2,500,000
Cows	..	..	..	..	..	1,039,300	
Sheep	..	..	..	..	..	16,018,600	14,000,000
Goats	..	..	..	..	..	6,821,500	7,000,000
Camels	..	..	..	..	..	..	67,000

*Camels.* The one-humped camel of Iran, the ship of the desert, is world famous. It is the animal which enables the weary traveller to cross the dark and dreary desert of Khorasan into the Afghan territory. The Khorasan camel

<sup>10</sup> Department of Overseas Trade Report, 1937, p. 39.

<sup>11</sup> Foreign Agriculture, February 1944, p. 39.

is celebrated for its size and strength. It has very long hair and can bear exposure to cold and heat far better than the ordinary Arabian or Iranian camel.<sup>12</sup> It cannot travel as fast as a horse but can carry double the burden, that is about 700 pounds.

*Mules and Asses.* The mules and asses of Iran are other hardy animals possessing extraordinary strength and endurance. They are pack animals par excellence, and are patient, hardy and sure-footed creatures, perfectly adapted to rugged terrain. The mules can cover a distance of only 25 to 35 miles in a day at a slow speed, but they can walk for weeks and days together, and with a load of from 230 to 350 pounds. Most of the internal trade used to be carried with the help of these animals. The chief breeding zones for them are the districts of Isfahan, Shiraz and Kazvin in the centre and south, and the Bakhtiari country in the south-west and west.<sup>13</sup>

*Horses.* The indigenous breed of Iranian horses is known throughout the east. Generally, three types are found in different parts of the country : (i) the Turkomen, found in the north, is a large, bony and clumsy looking quadruped, possessing marvellous power and endurance, (ii) the Arab, found in the south, originally imported and constantly recruited from the opposite coast of the Gulf is a very serviceable animal, though not equal to the pure Arabian, and (iii) the Iranian, originally a cross between other strains. All these types of horses are used as means of quick-transport.

*Sheep.* The significance of sheep in the economic life of Iran cannot be over-estimated. Since times immemorial the tribes of the plateau have tended their extensive flocks, and, following the seasons, have migrated with them between the low-lands and the mountain slopes. They have lived almost entirely upon the products of the flocks. At present there are between 14 and 16 million

<sup>12</sup> Encyclopædia Britannica XIVth Ed., Vol. 21, p. 190.

<sup>13</sup> M. K. Khan, p. 28.

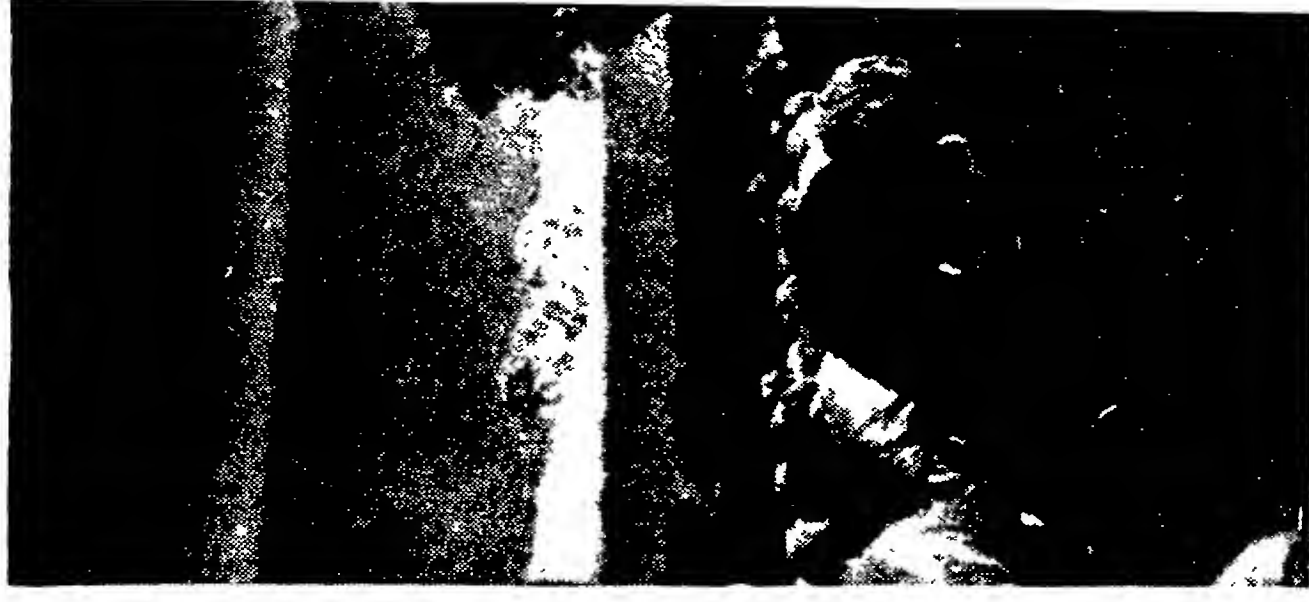




**The beast of burden**



**A typical Iranian peasant**



**The sheep wealth of**





sheep (mostly of the fat tailed type) which are raised by nomadic or partly settled tribes and by village dwellers. Besides being the main source of dairy products and meat for local consumption, (the average production of meat of sheep and lamb during 1939-43 was 97,000 short tons) they produce valuable items of export in the form of wool, lamb furs, skins, and casings. The best qualities of wool are produced in Khurasan and Azerbaijan.<sup>14</sup>

*Goats.* They are similar to sheep in their use and produce milk, hair, meat, casings, and skins which are locally consumed and are also exported. Average production of the meat of goat and kids during 1939-43 was 45,200 short tons.

*Bulls, Oxen and Cows.* The cows of Iran, in general, are of an inferior grade in respect of their size and yield of milk. They are ill fed and not properly cared for, owing to the poverty of the peasants. They are an important source for the supply of beef, of which the average production in the years 1939-43 was 55,100 short tons, when combined with veal.<sup>15</sup> The oxen number about 1,250,000. They are used as draught animals, mainly in ploughing. The remarks about the health of the cows also apply in an equal measure to the bulls.

*Wild Animals.* Among the wild animals of Iran the important ones are panther, tiger, leopard, brown bear, hog, wolf, jackal, fox, hare, wild ass, wild sheep, mountain goat and deer.<sup>16</sup> They are mostly found in the Caspian provinces and the forests of the Elburz mountains. They are an important source of meat supply for the nomadic tribes.

*Game Birds.* Among the game birds, the important species are lustard, pheasants, partridges, francolin, sand grouse, mallard, teal and snipe. Pigeons are plentiful everywhere in the vicinity of cultivations. Non-game

<sup>14</sup> Foreign Agriculture, p. 39.

<sup>15</sup> Ibid.

<sup>16</sup> Encyclopædia, Britannica, p. 192.

birds like eagles, hawks, vultures, bees, hoopoes, crow, raven, chough and bulbul are also common.

*Wool.* The sheep of Iran tended by the pastoral tribes are an important source of the supply of wool. The famous carpet industry of the country depends to a large extent on the supply of this rawmaterial. The chief areas of production are Khorasan, Fars, Luristan, Azerbaijan, Kirmanshah, and Kurdistan. A large quantity of wool is exported, while an equally large portion of it is used in the manufacture of shawls, woollen cloth, and carpets. In the years 1939-43, the average production of wool was 17,600 short tons. Out of this 9,900 short tons were locally consumed and the rest 7,700 short tons were exported.<sup>17</sup>

*Dairy Products.* The sheep, goats, and cows of Iran are important sources of supply of various dairy products, like milk, butter, cheese and ghee. In 1939-43, the average production of milk alone amounted to 1,234,600 short tons. The average production of eggs in the same years amounted to 44,100 short tons.<sup>18</sup>

*Skins and Lamb Fur.* The dead and slaughtered animals produce skins and furs which are locally treated and then exported in large quantities. In 1939-43, the average production of skins amounted to 3,300 short tons. In the same years, 2,500 short tons of skins and 800 short tons of lamb furs were exported. The total value of hides and skins exported amounted to 81,875,000 rials in 1937-38.<sup>19</sup>

### § 3. FISHERIES

Iran is also famous for her fishery wealth. Some of the best qualities of fish are found in the Caspian Sea and Persian Gulf areas. The famous luxury food, caviar, comes from the Caspian. Other good varieties of fish found in that sea are the salmon, the carp, the pickeral and

<sup>17</sup> Foreign Agriculture, p. 39.

<sup>18</sup> Ibid.

<sup>19</sup> Statesman's Year Book, 1941, p. 1020.

the white fish. In the Persian Gulf pearl fishing has been one of the most profitable enterprises. Important varieties of fish found in this area are sardines, mackreals, and sharks.

#### § 4. MINERAL RESOURCES

The mineral resources of Iran have not been properly investigated so far. The existing data, therefore, are based mainly on guess-work about the potential mineral wealth, and some tit bits of information about the mines already under exploitation. There is, however, one significant fact worth noticing, and it is that, in point of variety of minerals, perhaps there are few countries which can excel Iran. Almost all sorts of minerals, from the omnipresent coal and iron, to the rare gold and silver, and diamonds and rubies, are found in one or the other part of the country.

It is estimated by some that the mineral wealth of Iran is as rich as its oil resources. This view would of course be regarded as exaggerated, until some authentic facts based on a systematic and scientific survey of the entire country are available. At present economic exploitation is confined only to a small number of minerals, the main difficulty in the way of any large-scale operations being the lack of modern and cheap means of transport. With intensive development over the whole field, the number as well as the quantity of minerals may well increase.

*The Exploitation of Minerals in Iran in the Past.* Evidence is available of the fact that, even in pre-Islamic times, copper, lead, silver and gold mines were worked in Iran, at many places, widely distant from each other;<sup>20</sup> but no details are available. The Arabs have also written a good deal about the Iranian mining industry in the past and some traces of it exist even today.<sup>21</sup>

<sup>20</sup> Wilson: Iran, p. 215.

<sup>21</sup> M. K. Khan, p. 30.

From the sixteenth century onwards we find such records as those of Chardin, Tavernier, Hanway, Polak, Tietze and Curzon, who relate their personal observations and conjectures. For instance, Chardin wrote that the attention of Shah Abbas the Great was drawn to the presence of valuable metals beneath the soil which he seriously attempted to utilize. He spoke of iron, lead and copper as the minerals most worked, and specified silver mines in Isfahan, Kirman and Mazanderan; iron mines in Mazanderan and Kurdistan; copper mines at Sari and near Kazvin; lead mines near Kirman and Yezd; naphtha spring in Mazanderan; and turquoise mines near Naishapur.

In the days of Nadir Shah, when Iran had regained fame by the successive conquests of that great monarch, an iron foundry was established near Amul, where cannonballs and bombshells were cast. Other mining operations were carried out in other parts of the country.

About the year 1810, an Englishman named Williamson worked some copper mines near Turkomanchai, but was obliged to abandon them as a failure. In 1815, Captain Monteith was commissioned by Prince Abbas Mirza to report on the best locality for iron works, and he decided in favour of Dombre, south of the Aras river, saying "In no part of the world did we conceive it possible that a greater abundance of iron ore should exist than in the Qaradagh range of mountains. For many farsakhs the soil appears to consist of no other stone." But when tried in 1836, these reserves did not yield any satisfactory commercial results.

In 1890, a company with a capital of £ 1,000,000 was formed to acquire and work the mining rights conceded to the Imperial Bank of Iran. The company did not proceed to work the concession, probably due to transport difficulties, but made some useful prospecting of the whole country. The report of the engineers of this company, together with some other surveys undertaken by private entrepreneurs, form the basis of our present knowledge about the mineral resources of Iran.

*The Extent of Mineral Wealth in Iran.*

The mineral resources of Iran, as indicated by private surveys, are considerable. Amongst the important varieties of minerals found are iron, coal, sulphur, copper, lead, zinc, manganese, nickel, iron oxide, graphite, sodium sulphate, orpiment, black alum, turquoise, mercury, antimony, nickel, asbestos, cobalt, marble, borax, potash, saltpetre, and gold, silver, platinum and diamonds.

*Iron.* The largest deposits of iron are to be found in the Elburz range, and these have not been fully exploited any more than the others. In this region, the iron and coal mines are generally found in close proximity to each other. In the province of Mazanderan, near Amul, there are found several iron mines, the ore of which is said to contain from fifty to sixty per cent of iron.<sup>22</sup> Other areas in which iron is found are Qaradagh mountains of Azarbaijan; Kuh Surman in Najafabad; Kuh Yatim in Fereidan, both near Isfahan; the vicinity of Lake Urmia (supposed to contain iron ore as high as 70 per cent); Qamsar, near Isfahan; and the area near Nairiz. The iron mines were not worked to any great extent before the war.

*Coal.* Coal of a rich variety, giving upto 50 per cent coke, is found to the north-west, north and north-east of Tehran, at Tirah and Shemshak and in the lower Jurassic beds of the Selburz. Some deposits are also found in Central Iran near Nehavend, Kerman, and Isfahan, and in places in the Ashraf district near Geligah, and at Tabriz.<sup>23</sup> Though the mines were not exploited very fully before the war, sufficient coal was produced to meet the country's industrial and domestic requirements. At present, there are 6 mines with a monthly aggregate output of about 13,000 tons.<sup>24</sup>

*Copper.* Copper occurrences are exceptionally numerous, notably in the Qara Dagah district, north-east

<sup>22</sup> Ibid.

<sup>23</sup> Wilson, p. 216.

<sup>24</sup> Review of Commercial Conditions in Iran (1945), pp. 9 and 24.

of Tabriz, near Kuhrud on the Kashan-Isfahan road, in the Anarak, Kerman, Shahrud-Sabzewar districts in Kurdistan, near Birjand, and at many places in the Elburz district. In the province of Khorasan, between Shahrud and Sabzewar, it is estimated that there are about 200 to 300 copper mines. Polak declared that every district in Iran had its own copper mines, and the statement appears to be true by the evidence of numerous deposits which occur in all parts of the country. At present about 3000 tons of ore with about 30% to 70% copper are extracted from three mines.<sup>25</sup>

*Lead.* Lead is found in almost every province, and used to be regularly worked. The most accessible surface deposits have, however, been totally exhausted, and what remains are only the underground deposits.<sup>26</sup> The most important district in which lead mining is still carried on is Naglak near Anarat. In 1941, it produced about 600 tons of lead.<sup>27</sup>

*Silver.* A silver mine exists on the Karun at Duodah, so called, according to local legend, because it took ten toman's worth of labour to produce two toman's worth of the metal. Brittle sulphurous silver ore is also found in the Saband mountains, and the lead ores which are of common occurrence in many parts, are often rich in silver.

*Turquoises.* The turquoise (a kind of precious stone) mines of Naishapur are very famous and have been worked for the past 800 years.<sup>28</sup> There is a turquoise mine in Kirman and another one is found near Saveh. A Russian geologist, Melgunov, has reported that rubies and emeralds are found in the Asterabad region and in the vicinity of Meshed, but his statement has not been confirmed.<sup>29</sup> He also speaks of signs of platinum deposits near Damghan and silver deposits near Astrabad.

<sup>25</sup> Ibid.

<sup>26</sup> Wilson, p. 216.

<sup>27</sup> Review of Commercial Conditions in Iran, p. 24.

<sup>28</sup> M. K. Khan, p. 32.

<sup>29</sup> Wilson, p. 217.



*Mercury.* Mercury exists in Zardah Kuh range, to the north-east of Isfahan, but Arab historians have recorded its occurrence in the village of Takht-i-Sulaiman, near Tajan.

Besides, an account of the following mines is found in Review of Commercial Conditions in Iran for the year 1945.

*Amorphous Silica.* This material for the manufacture of refractory bricks is worked by the Department of Mines near Teheran.

*Antimony.* Considerable quantities of antimony are supplied by east central Iran, and smelting facilities exist at Teheran for production of antimony metal.

*Arsenic.* A state owned factory near Teheran produced 213 tons of arsenic compounds in the year ended March, 1942. Maximum production could be about 500 tons.

*Borax.* There are deposits between Bandar Abbas and Kerman with a productive capacity of 300 tons a year.

*Fireclay.* There are mines at Aminabad and a brick making plant was completed in 1942.

*Magnesite.* The Department of Mines is working a deposit in the province of Khorasan.

*Manganese Dioxide.* There was a mine about 20 miles south of Teheran but this was closed down some years ago.

*Nickel.* Some nickel spikes containing 37% nickel were produced at a state-owned mine near Anarak. In the middle of 1942 there were 125 tons in stock.

*Potash.* The annual production is about 400 tons.

*Potassium Bichromate.* A small factory is in operation in Teheran. Local deposits of potassium salts and chromate are being used and the estimated weekly production is one ton.

*Sulphur.* There are deposits near Bandar Abbas on the Persian Gulf and a state owned mine is being worked at Semnan. About 500 tons per year are being produced but this output could probably be doubled.

*Red Oxide.* There are unlimited deposits of red

oxide on the island of Hormuz near Bandar Abbas. The output is controlled by the Government.

*Other Miscellaneous Minerals.* Besides these important minerals noted above, and petrol, which will be dealt with in a separate chapter, there are a large number of other minor minerals also, existence of which is more or less certain, but exploitation of which has not yet taken place on any considerable scale. For example, cobalt is found near Anarak, in the district of Main, between Isfahan and Yezd; marble quarries are found at Keruzeh, sixty miles from Kirman; asbestos is found near Gujar, eighty miles north of Kirman; saltpetre is found near Tanjan and Qum and Zinc is found near Yezd.<sup>30</sup> Besides, rock salt, alum and gypsum are found almost everywhere. Some amount of potash, sulphur, tin, orpiment, realgar, chrome and gold are also said to exist in different parts of the country.

*The Exploitation of Mines.* The following list of mines, together with their locations, taken from M. K. Khan's book 'Economic Position of Iran' pages 33-34, gives an idea of the mines worked at present:

<i>District</i>					<i>Province</i>
<i>Salt Mines</i>					
Hasan Abad, Firuzkough	..	..	..	..	Teheran
Najm Abad, Ishtehard	..	..	..	..	"
Soussanghein, Saveh	..	..	..	..	"
Sussarak, Taleghan	..	..	..	..	"
Kharaghan	..	..	..	..	Qazvin
Garrus	..	..	..	..	Zanjan
Zaitour Abad Tarum Olya	..	..	..	..	"
Tarom Ilya and Sofla	..	..	..	..	"
Neighbourhood of the river Aji	..	..	..	..	Azerbaijan
Seffidan	..	..	..	..	"
Khoy	..	..	..	..	"
Sultanabad Chahar Cymagh	..	..	..	..	"

<sup>30</sup> Department of Overseas Trade Report on Eco. Conditions in Iran (1937).



<i>District</i>	<i>Province</i>
Bonab .. .. .	Azarbaijan
Solduz .. .. .	"
Dizaj, Urmia .. .. .	"
Haris Arvanagh .. .. .	"
Arnagh Arlan, Marand .. .. .	"
Surkheh .. .. .	Muminabad
Lasguerd .. .. .	Samnan
Qum .. .. .	Qum
Rudbar, Moghan .. .. .	Sultanabad
Golpaigan .. .. .	Golpaigan
Kashan .. .. .	Kashan
Ardistan, Nain .. .. .	Yazd
Khurmus and Karun Sofia .. .. .	Khuzistan
Barf Abad Savojbulagh .. .. .	Azarbaijan
Eyvan Key .. .. .	Teheran

*Turquoise Mines*

Omar Loo, Naishabur .. .. .	Khorasan
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*Copper Mines*

Dahane Siah, Sabzevar .. .. .	"
Sabzevar .. .. .	Khorasan
Anarak .. .. .	Yazd
Bahr Asseman .. .. .	Kirman

*Black Alum*

Abuzaid-Abad, Siah-Kouh .. .. .	Kashan
Tarum Olya and Sofia .. .. .	Qazvin
Jabal Shomali .. .. .	Yazd

*Coal*

Aruheh Lar .. .. .	Teheran
Darbandsar, Rudbar Ghasran .. .. .	"
Marthah Lar .. .. .	"
Darbandsar, Rudbar Ghasran .. .. .	"
Abyek, Lavassan .. .. .	"
Arouhe, Savoj-bolagh .. .. .	"
Ghomsheh .. .. .	Isfahan
Rudbar .. .. .	Teheran
Shemshak .. .. .	"
Kastanak, Lar .. .. .	"
Routan, Rudbar, Ghasran .. .. .	"

<i>District</i>						<i>Province</i>	
Sefid Darreh, Fashand	..	..	..	..	..	Teheran	
Ambarak, Rudbar	..	..	..	..	..	"	
Sari Dagh	..	..	..	..	..	Azərbayjan	
Pari Khan	..	..	..	..	..	Shahrud	
Abyaneh and Soo, Natanz	..	..	..	..	..	Kashan	
Isfandagheh	..	..	..	..	..	Kirman	
<i>Orpiment</i>							
Zereh Shouran, Sain Qaleh	..	..	..	..	..	Azərbayjan	
<i>Millstone</i>							
Kuh Ghonagh, Zarand Southern Ports	..	..	..	..	..	Teheran	
<i>Sulphate of Sodium</i>							
Between Teheran and Qum.							
<i>Sulphur</i>							
Hazi Abad, Samnan	..	..	..	..	..	Samnan	
Sabzavar	..	..	..	..	..	Khorasan	
<i>Lead</i>							
Darband Kalak	..	..	..	..	..	Teheran	
Akhrameh Meshad	..	..	..	..	..	Khorasan	
<i>Graphite</i>							
Silver, Mazareh Darreh Murad Bagh	..	..	..	..	..	Hamadan	
<i>Iron</i>							
Karaj and Dushantapen	..	..	..	..	..	Teheran	

The actual yearly production of minerals is as follows:—<sup>31</sup>

									<i>Tons</i>
Coal	..	..	..	..	..	..	..	..	120,000
Copper	..	..	..	..	..	..	..	..	300
Antimony	..	..	..	..	..	..	..	..	100
Sulphur	..	..	..	..	..	..	..	..	500
Lead	..	..	..	..	..	..	..	..	500
Arsenic	..	..	..	..	..	..	..	..	1,400
Chromite	..	..	..	..	..	..	..	..	500
Red Oxide	..	..	..	..	..	..	..	..	10,000

<sup>31</sup> H. Pirnia : Short Survey of Economic Conditions of Iran, p. 61.

It is apparent from the figures of production given above that the quantity of the minerals produced is very meagre, probably because the process of exploitation is crude and out-of-date. It is cited as an example that the mines of Iran are worked in shallow ore-sheets and they are sometimes filled with water.

### *State's Part in Mineral Development*

The Government of Iran has recently begun to take interest in mineral development. A Department of Industries and Mines has been created to interest companies and individuals, both Iranian and foreign, in the exploitation of the subterranean resources. A contract for the exploitation of various deposits at Semnan and the installation of blast furnaces was negotiated with foreign groups in 1937.<sup>32</sup> In 1939, a concession was granted to a Dutch Company, the Algemeen Exploratie Mattaschappig, to exploit the mineral resources in two areas in the region of Bandar Abbas, but apparently only a contract for prospecting has been granted.<sup>33</sup>

Since the beginning of the constitutional regime, minerals have been declared to be state property, and the mines are either leased or worked directly by Government itself. According to the Mines Laws the proprietor of the land is also the proprietor of the sub-soil but the government has the right to appropriate any mine in the public interest, by paying appropriate compensation to the owner. Since October 1934, the Ministry of Finance is directly working the rich red oxide deposits of Hormuz, 'Qishm, Lark and Zenjan.<sup>34</sup> At Anarak, about 120 miles north of Yezd, deposits of copper ore, including nickel, antimony and cobalt are also being worked out by the state. A new refining plant was also established near Teheran in 1936.<sup>35</sup>

<sup>32</sup> Department of Overseas Trade Report, 1937.

<sup>33</sup> Statesman's Year Book, 1944, p. 1179.

<sup>34</sup> D. O. T. Report, 1935, p. 33.

<sup>35</sup> D. O. T. Report, 1937, p. 25.

*Potentialities for Further Development*

The mineral reserves of Iran, in point of variety, have few rivals in the world. But due to the lack of modern methods of transport, and cheap fuel, the development of these resources has not taken place to any appreciable extent. The completion of the Trans-Iranian Railway has to some extent solved the problem of transport. The provision of cheap petrol can solve the other problem, too.

### CHAPTER III

## AGRICULTURE IN IRAN

Iran has a variety of soils, a variety of climates, and varying degrees of rainfall in different parts of the country. Thus, whereas in the Caspian littoral we find rich and fertile alluvial soil, in the other arid parts of the country we find laterite or crystalline soil. Again, whereas in the Persian Gulf littoral, we find extreme heat, as high as  $122^{\circ}$  F. in summer, in the central plateau, we find extreme cold, as low as  $-4^{\circ}$  F. (minus four degrees F.) In the same way whereas the northern tip of the Caspian Sea littoral receives as much as 60" of rainfall, the south-east portion of the central plateau receives only 2". It is for this reason that the agricultural products of Iran are extremely varied, ranging from tea cultivated on the shores of Caspian to vine grown in most of the provinces, and from valuable timber grown in the humid Caspian provinces to plants from which dyes are extracted, which thrive only a little below the snow line.<sup>1</sup>

### § 1. AGRICULTURAL REGIONS

The greater part of Iran is uncultivable. It has been estimated that only about 10 to 15 per cent of the total area of 625,000 square miles is actually under cultivation. Of the rest 20 to 30 per cent is potentially cultivable, provided irrigation facilities are increased; 15 per cent is grazing land; 10 to 15 per cent is covered by forests and 30 to 35 per cent is desert and other waste lands.<sup>2</sup>

The northern part of the country known as the Caspian Sea littoral is extremely fertile and is the home of

<sup>1</sup> Wilson : Iran, p. 51.

<sup>2</sup> Foreign Agriculture, Feb., 44, p. 21.

most of the products grown in Iran. In the west, the provinces of Kurdistan, Kermanshah and Luristan are mostly hilly and are the homes of nomadic tribes. In the southwest, the province of Khuzistan and the Karun valley area are rich cereal producing regions and are full of potentialities for the production of long staple cotton. In the extreme south, the province of Fars is another fertile area and is specially noted for the production of sugar and fruits. The whole of the eastern portion of the country is, however, a big desert, 200 miles wide and 800 miles long, and is agriculturally unimportant except for the production of deciduous fruits.

## § 2. LAND OWNERSHIP

From the point of view of ownership, land in Iran can be divided into 3 categories.<sup>3</sup>

(1) State domain; (2) Waqf land; and (3) Private property.

*State Domain or Khalisseh.* This land is owned directly by the state. Its sources were conquests, confiscation of property held by kings, royal dynasties and others, any unclaimed land, gift and purchases. It is cultivated by the peasants, with the state playing the role of the landlord. The government share of the produce is collected either directly by agents or indirectly by sub-letting to an individual against the payment of a fixed sum. The latter practice is highly detrimental to the peasants as the contractors have no interest in the land beyond collecting as much revenue and making as much profit as possible. The extent of the state domain is not exactly known. Rough estimates indicate that it amounts to about 10 per cent of all arable land.

*Waqf Land.* This refers to the land that has been dedicated in perpetuity for religious or charitable purposes. It amounts to about 10 per cent of the arable lands. Its

<sup>3</sup> Ibid. p. 32.

administration is largely in the hands of mullahs, but the state reserves the right of control and supervision.

*Private Property or Milk Land.*—About 80 per cent of the cultivated land is privately owned by individuals who exercise over it full control and rights of disposal. Such ownership, however, is concentrated in the hands of the few who are mostly absentee chiefs. The cultivating owner class in Iran is still in a small minority, land being mostly cultivated by crop-sharing peasants.

### § 3. LAND TENURE SYSTEM

Actual cultivation of land in Iran is carried on by the peasants. Only in some rare cases do the landlords themselves till the land. In most cases, they only lease out their lands in one or the other of the following forms<sup>4</sup>.

1. *Muzara System or Crop-Sharing.* Under this system, land is leased out to the cultivator for a certain period against a payment to the owner of a definite share of the produce. The owner retains full control over the peasants and their activities.

2. *Fixed Payment System.* A variation of the above form is one by which the cultivator pays a fixed annual amount, irrespective of the produce, to the landlord.

3. *Contract System.* This form differs widely from the other two in that the land is leased to a renter who is not himself a cultivator. He pays the absentee lord a fixed sum for the right to collect the shares due from the peasants.

*Sharing of Produce.* There is no general rule regarding the partition of agricultural produce between the peasant and the landlord, under the Muzara system. The share received by each of the parties concerned differs according to local usage and according to the weight attached to a variety of factors, such as the location and fertility of the land, method of cultivation, public security in the locality,

<sup>4</sup> Ibid., p. 33.

availability of irrigation water, seed and draught animals and manpower used, and kind of crop produced. It is, however, commonly based on five factors:<sup>5</sup> (i) land, (ii) water, (iii) seed, (iv) working capital, and (v) labour. In most parts of Iran it is customary for the landlord to provide land, water, and seed and for the peasant to provide labour and working capital in which are included implements, fertilizers, animals etc. The produce is accordingly divided into five parts and is shared in proportion to the amount contributed by each party.

In the provinces, where cultivation is not dependent on irrigation the peasants receive two-fifths of the produce and the landlord three-fifths. The produce of all plants which require large expenditure, such as opium and tobacco, is divided equally between the two partners, the peasant in this case providing the seed.

*Criticism of the System.* Criticism of the Iranian land system is offered by an eminent student of the subject, Moustafa Fateh Khan.<sup>6</sup> His argument is based on the facts that land in Iran is useless without a supply of water.

"There are," he says, "numerous tracts of arable and fertile land which are left barren owing to lack of water, and consequently it is water which gives utility to the land. From an economic point of view, therefore, land and water must be grouped together as one factor, so that the landlord may appropriate only one part of the total produce, instead of two".<sup>7</sup>

<sup>5</sup> M. K. Khan, pp. 13-14.

<sup>6</sup> Ibid., p. 15.

<sup>7</sup> But there is an obvious fallacy in thinking that each of the five factors, more or less arbitrarily differentiated, carries the same weight and economic value. On the contrary, the values that in fact accrue to each of such factors are determined by the forces of demand and supply combined with social customs and usages which are themselves the results of social dynamics. A point of equilibrium is thus reached, and this is how the respective shares of the peasants and the landlords are arrived at. Mechanical formulas like the above and pious wishes by themselves cannot be expected to determine or influence them in any way.



Again, the peasant contributes the working capital and labour which together form the costliest element in the working expenses. The costs of fertilisers, feeding of animals, repairs to implements etc., forming a part of the working expenses, are very high. The money for these expenses is obtained by the peasant from the landlord or the usurious money-lender at a very high rate of interest. The amount of interest paid in this way also generally goes into the pockets of the landlord. Then again, the landlord's agents, the water and field guards, the mullahs and others, also make a claim on the share of the peasant. In actual practice, therefore, what the cultivator receives is only one-fifth or even less of the total produce raised from land.

Besides this, under the fixed payment and the contract system, the cultivators suffer from a number of other disabilities.<sup>8</sup> They can be evicted from land without notice. No compensation is paid to them for the improvements they make or the losses they incur when evicted. The rents can be increased at any time. They cannot make permanent improvements in land as there is no fixity of tenure. The landlords also do not care to improve the land. They only try to extract as much out of the tenants as possible. The result is that no intensive cultivation is carried on and more than half of the arable land is left fallow every second or third year, to maintain a certain degree of fertility.

*Defence of the System.* While there is a great deal of truth in the criticisms of land tenure systems as prevailing at present in Iran, it should not be forgotten that the economic condition of peasants in the country is not so bad as is sometimes depicted by foreign writers, or in any way worse than the economic condition of peasants in other oriental countries. The tenants in Iran enjoy *Ayani* rights in a certain portion of the landlord's land. Under this system a portion of the

<sup>8</sup> Foreign Agriculture, July 1943, pp. 171-177.

owner's land is leased out to the peasants on a fixed annual rent of about three rupees per acre for the construction therein of a dwelling house or a fruit or vegetable garden or for growing fuel wood. The tenants possess absolute right in this land with the lawful authority to alienate or otherwise dispose of their houses or gardens, subject only to the payment of the annual lease amount to the landlord. This system gives the much desired security of tenure to the peasant and keeps him fixed to his village. There is no limitation to the amount of *Ayani* land which can be held by a tenant, its extent depending on local usage and the agreement between the landlord and the peasant. In some cases the value of a peasant's dwelling house and fruit garden etc., exceeds by many times the value of actual land owned by the landlord.

Nor should it be considered that the landlords in Iran are only sleeping partners in agricultural enterprises. They look after a regular and uninterrupted supply of irrigation water by working at qanats at a great cost of human labour and skill. Irrigation in Iran presents the most baffling problems and it is the landlords who have to bear the brunt of the show. The division of the produce between the landlords and the peasants is, therefore, not so inequitable as it sometimes superficially appears.

*Land Tenure Reforms.* Some attempts were made by the late Raza Shah's Government to remedy the land tenure abuses of Iran.<sup>9</sup> The old laws were modified. Many of the state lands were broken up for settlement or otherwise disposed of. In 1931 foreign-owned land was expropriated, and now no foreigner is allowed to own land or other immovable property except for residence or business purposes. A comprehensive scheme of land registration was introduced. Much of the crown property was sold and an act was passed giving the Government powers to nationalise and sell land and irrigation works belonging to religious foundations, the proceeds to be devoted to

<sup>9</sup> E. Sutton : Modern Iran, p. 84.

schools, hospitals and the maintenance of historical buildings. In July 1946, yet another attempt was made by the Sultaneh Ministry to further improve the lot of the peasants. It passed a law by which the customary share of the produce of land accruing to the peasants was further increased by 15 per cent.

#### 4. METHODS OF IRRIGATION

*The Importance of Irrigation in Iranian Agriculture.* Unlike some of the Indian provinces, especially Bengal and Assam, Iran has a very scanty rainfall—not exceeding an average of 13 to 14 inches, except in the coastal regions in the north. In some parts it is even less. Nor are there many rivers in Iran. Of these, again, most are only seasonal, and none except one, namely the Karun, is navigable. Yet the soil in Iran, which is otherwise quite fertile, requires plenty of water before it can be of any use for agricultural purposes. Hence, irrigation occupies a key position in respect of Iranian agriculture. “People who have travelled in Iran have often been struck by the large uncultivated tracts of land which separate the villages and farms”. The reason is the difficulty of water supply. As soon as the supply of water is assured, hitherto a desolate tract of land may smile into a rich agricultural region.

Nor can it be said that the difficulties in the way of Iranian irrigation are insuperable. There are abundant flood-waters running down the streams in the spring, “often inflicting great damage to the roads.” If these could be stored, they would greatly increase Iran’s irrigation resources and confer inestimable benefits to her agriculture.

*History of Irrigation in Iran.* There is evidence to show that the Iranian rulers in ancient times paid great attention to building dams and digging canals for irrigation purposes. Most of the dams have now disappeared, though some of the canals are clearly marked by long

mounds impregnated with salt.<sup>10</sup> The decay of these canals and dams is attributed partly to the erratic taxation policy of the Government and partly to the devastating raids of the Mongols, Huns and other barbarians.

*Irrigation in Iran at the Present Time.* At present three methods of irrigation are generally followed in Iran, *viz.*, (1) by Surface streams, (2) by wells, and (3) by qanats.

(1) *Surface Streams.* The number of surface streams in Iran is very small. Moreover they are too salty, and of too limited a flow to be of any great use directly for irrigation purposes. The only river capable of an extensive water supply in the south is the Karun. The waters of this river are utilised to feed a few canals which irrigate the Aqili plain, north of Shushtar, and the Miyaneh, south of that town. Besides, the waters of Karkheh and Jarrahi are also used for the cultivation respectively of rice and dates, and to a small extent of other cereals.<sup>11</sup> In the north, the only rivers of importance are the Aras, the Sefid Rud, the Gargan and Acrak.

(2) *Wells.* At a few places, where the water level is comparatively high, irrigation is carried on by means of wells, from 30 to 40 feet deep. The water is drawn from these wells by means of three main techniques.<sup>12</sup>

(i) The first of these is the use of the leather bucket, which is attached to a long rope and pulled up over a pulley by animals.

(ii) In the second, a noria or sagieh (harat), a type of water wheel, is employed, which is turned by animals. This method is used for shallower wells.

(iii) The third is the shadoof or counterpoise, a simple device used not only in Iran but in other parts of the Middle East and India as well, to draw water from a depth of a few feet. It is a lever and a fulcrum combination consisting of a vertical scaffolding on which is balanced

<sup>10</sup> Wilson : Iran, p. 201.

<sup>11</sup> Ibid., p. 198.

<sup>12</sup> Foreign Agriculture, February 1944, p. 34.

horizontally a long post, with an appropriate weight attached to one end and a bucket hanging from the other. It is worked by a man, who pulls at the bucket until it dips into the water, and who is helped in raising it when full by the weight at the other end.

(3) *Qanat*. The system most extensively used in procuring irrigation water is, however, that of the qanat, or the underground channel. This is constructed in a very interesting manner. A hole is dug at the foot of a hill to a reasonable depth, or until the water level is reached. Then an underground channel, just below the surface of the earth, is opened in the direction of the lower land, intended to be irrigated. At regular intervals shafts are opened into the channel, which is continued for a short or a long distance until the water appears on the surface. From then on, the flow of the water continues as long as the qanats are kept in good condition.<sup>13</sup> A qanat may also commence from a natural spring of which a great number exist all over Iran.<sup>14</sup> Estimates indicate that no less than 75 per cent of Iranian irrigation is maintained by this system.

The labour and cost of constructing and maintaining these qanats is enormous and can only be justified by the general scarcity of water. So great is this scarcity that the quantity of water which each cultivator can draw from the canals is fixed by hours and minutes. When the time is up for one farmer, the water is diverted to another man's land, and in order to waste none of the precious liquid the watering has often to be done by night by the light of lanterns.

*Recent Attempts by the State to Improve Irrigation Facilities.* In recent years the Government has given serious attention to the matter of irrigation within the general

<sup>13</sup> The system is of extreme antiquity—it may well be contemporaneous with the earliest civilizations of Iran. It involves a high standard of judgment in locating springs, and exceptional qualities of skill, endurance and patience, in execution. Wilson, p. 212.

<sup>14</sup> M. K. Khan, p. 10.

plan of national reconstruction. A Department of Irrigation and Dam Construction has been set up in the Ministry of Agriculture. The work undertaken so far has been limited only to the making of preliminary or final surveys and the drawing up of plans for the construction of dams and barrages in various parts of the country. Plans have been prepared for the draining of the Khargerd marsh near Isfahan<sup>15</sup> and the construction of a dam on the Karun, near Ahwaz, which when complete is expected to irrigate an area of some 7,400,000 additional acres.<sup>16</sup> There are also projected schemes to make more use of the Zagendi river at Isfahan and the Karu-su near Kermanshah.<sup>17</sup> These plans are expected to be shortly put into practice.

Other long term plans include the construction of a dam at Shushter, for the twin object of supplying water and electric power to the people, and, irrigation works on the Karkheh, Gorgan, Atrek, Aras and other rivers of northern Iran.<sup>18</sup> As the financial position of the state improves, work may be commenced on the basis of all these plans.

### § 5. AGRICULTURAL METHODS

*System of Cultivation.* The actual system of cultivation in Iran resembles the old English manorial model. The whole land of the village (the size of a village in Iran ranges from a few acres to several square miles, and in population from a few families to several thousands) belongs to a landlord and is managed on his behalf by a headman called "Kadkhoda." The land is divided into sections for assignment to each peasant and as the fields are often not uniform in fertility, nor easy of cultivation, they are distributed between the peasants in proportion to their material ability and the number of members in their households.

<sup>15</sup> E. Sutton, p. 86.

<sup>16</sup> Foreign Agriculture, February 1944, p. 34.

<sup>17</sup> Department of Overseas Trade Report, 1937, p. 22.

<sup>18</sup> Wilson : Iran, pp. 204-212.



For lack of scientific methods of crop rotation and of fertilization, cultivation is carried on, on the basis of the two-field or the three-field system. Under this arrangement one field is usually planted with wheat, rye, opium and other crops, sown in the autumn and harvested the following summer, and the other field with maize, peas, rice, or other crops planted in the spring and harvested in the autumn. By rotating the fields, they are given an opportunity every third year to recuperate. The above conditions are the most common in all parts of the country.<sup>19</sup>

*Agricultural Technique.* In agriculture Iran has made but little advance from old and primitive methods. Ancient and simple technique and antiquated tools and implements are still the usual means employed in cultivation.

The implements are the wooden plough drawn by oxen, donkeys, horses or camels, the small sickle, the wooden fork, with five prongs, the spade and the pick. In many parts of the extensive plateau, where wood is scarce, manure is dried into cakes and used as fuel. Wheat and barley, the two staple crops, are cut by hand with the sickle. Thrashing is done by means of a board pulled by animals, or by having animals tread on the grain.<sup>20</sup>

*Recent Efforts to Improve Technique.* For some time past attempts are being made to change this mode of cultivation. The Government has established a number of agricultural schools and experimental stations, notable amongst them being the tea plantations at Lahijan and the forestry school at Shadejan in Khuzistan.<sup>21</sup> Experiments are also being made for the prevention of locusts and other plant diseases.<sup>22</sup> The Department of Agriculture has been

<sup>19</sup> M. K. Khan, p. 13.

<sup>20</sup> Foreign Agriculture, February 1944. p. 35.

<sup>21</sup> E. Sutton, pp. 86-87.

<sup>22</sup> An Anti-Locust Conference held in January 1945, in Cairo was attended by Dr. Uvarov, Head of the London Anti-Locust Research Centre, probably the world's greatest locust authority, who pointed out that the danger of a locust invasion in India, Iraq, Iran,

reorganised and in 1941, a grant of £ 1.5 million was made to it for agricultural improvements.

In 1940, the Government launched a five year plan to increase agricultural production. Under this plan provision was made for the erection of a fertiliser plant, import of modern agricultural tools, and, marino sheep, to be crossed with native breeds.<sup>23</sup> Between the years 1936 and 1942 on an average, 576 short tons of modern tools and implements, mostly pumps, tractors, ploughs and spare parts were annually imported.<sup>24</sup>

### § 6. THE MAIN CROPS

Iran is predominantly an agricultural country, about 85 % of its population being directly dependent upon agriculture or livestock raising for a living. The collection or dissemination of statistical information in the country is, however, backward and cannot be very much relied upon, except as an estimate. This fact should, therefore, be constantly borne in mind when studying the facts and figures about the production of different agricultural products in the country. The more important crops that are sown in the country are the following :—

#### *Food Crops*

*Cereals.* Iran may be characterized as a cereal producing country, the principal crop being wheat which is produced practically all over the country, but specially in the provinces of Khurasan in the north-east, Azerbaijan in the north-west, Kermanshah and Khuzistan in the west and Fars in the south. Barley is also grown in all

Sudan, Eritrea, and Yemen was very great that year. He stressed the importance of mutual co-operation and exchange of plans between the nations affected in order to agree on methods for wiping this enemy out for good. "Dawn", Jan. 10, 1945 and "Hindustan Times," Jan. 7, 1945.

<sup>23</sup> E. Sutton, pp. 86-87.

<sup>24</sup> Foreign Agriculture, February 1944, p. 35.



these localities. In a way, both these crops are supplementary, since barley is used largely for food. (In a smaller quantity it is also used as fodder for horses.)

Both these crops are sown between November and January when the ground is wet with rain. Harvesting of barley is done in April and May, and of wheat generally a month later. If the rainfall is good, specially in the months of February and March, the crop is excellent, about 20 times the seed sown, otherwise if no rains fall in these months, the result is a meagre harvest, hardly returning the seed sown.<sup>25</sup>

The total average area under cultivation for wheat and barley, before the second world war, in the years 1937-38, was 4.255 and 1.577 million acres respectively. The total production of these foodgrains was 2.227 and 0.874 million short tons (1 metric ton equals 1.1023 short tons). This amount of production was considerably in excess of the needs of the populace and .248 million tons of wheat and .139 million tons of barley were exported, on an average, to neighbouring countries. But with the outbreak of war and the dislocation brought by it in the national economy of the country, the area under these crops was reduced (1939-43) to 3.089 and 1.339 million acres and consequently the production also decreased to 1.388 and .606 million short tons, necessitating thereby a net import of 288,000 short tons of wheat into the country.<sup>26</sup>

*Rice.* Rice ranks next in importance to wheat. Practically all of it is grown on the slopes of Elburz, and in the Gilan and Mazanderan provinces, on the Caspian littoral, though in small quantities and for local consumption, it is grown in other parts, wherever there are irrigation facilities. It is sown by broadcasting or transplanting. The grain is dried in the sun or over slow fire. Husking is done by pounding the grain in stone receptacle. Usually

<sup>25</sup> Wilson : Iran, p. 54.

<sup>26</sup> Foreign Agriculture, February 1944, p. 36.

it is grown on the same land for 2 to 3 years, followed by a similar period of fallow.

The total average area under rice cultivation before the last war, in the years 1934-38, was 541,000 acres and the total average production was 466,600 short tons. During the war years (1939-43) the area under cultivation increased to 625,000 acres, though the production went down to 374,800 short tons, probably due to bad harvests in 1942-43.

The production of rice is generally in excess of the total requirements of the populace and hence some amount of it is generally exported, mainly to Russia. The average exports for the years 1934-38 were 48,400 short tons and for 1939-43, 25,800 short tons.<sup>27</sup>

*Pulses.* Lentils and beans are the important pulses produced. They are grown in most parts of the country, especially in the provinces of Isfahan, Azerbaijan, Kerman, Kermanshah, and Teheran. The total average area under cultivation of these crops, in the years 1939-43, was 247,000 acres and the total average production 165,300 short tons.

### *Vegetables, Fruits and Nuts*

*Vegetables.* Although no production figures are available, vegetables are known to be fairly abundant, especially in the suburbs of urban centres. Cabbages, onions, carrots, eggplants, cucumbers, lettuce, tomatoes etc., are produced. Potatoes were introduced during the early part of the last century but did not make much headway. Recently, under the exigencies of the war, their production is being encouraged.

*Fruits.* Iran is well known for the abundance and excellence of its fruits. "The climate of the country is specially suited for fruit production. The cold winter, absence of pests, hot sun, which makes it possible to dry the fruits without recourse to artificial methods, are fac-

<sup>27</sup> Ibid., p. 37.

tors in favour of the industry.”<sup>28</sup> Amongst the important fruits that are grown in the country are melons, oranges, dates, raisins, vines, plums, hops, raspberries, apples, pears, pomegranates, cherries, mulberries, figs, pistachios, almonds, peaches and apricots. The main fruit growing centres are Khuzistan (dates), Azerbaijan, Malayer, and Qazvin (raisins), Khurasan (deciduous fruit), Gilan and Mazanderan (citrus, olives, vines, plums, hops and other fruits), Tabriz and Meshed (peaches), Kashan and Isfahan (sugar melons), Demavand (apples), Natanz (pears), Kermanshah (figs) and Teheran (strawberries).

The dried fruits of Iran form an important item of export. The fresh grapes of Shiraz are sent to India; and dried figs and apricots to Russia.

The following table gives the production (and export) figures for the different fruits of Iran for two sets of years, 1934-38 and 1939-43.

(Average per year in 1,000 short tons)						
			<i>Production</i>		<i>Net Exports</i>	
			1934-38	1939-43	1934-38	1939-43
Grapes	..	..	581.7	551.1	..	..
Raisins	..	..	44.1	34.2	16.2	19.9
Dates	..	..	131.8	132.3	30.1	16.5
Oranges	..	..	23.8	22.0	..	..
Fruits dried	..	..	30.6	30.9	5.0	5.3

*Nuts.* The Iranian almonds are famous and constitute another export item. Other nuts are pistachios, chestnuts, and walnuts. Almonds are grown chiefly in Azerbaijan, Fars, Khurasan, and Kashan; chestnuts and walnuts in the Caspian region; and pistachios in Kerman, Yezd, Azerbaijan, and Qazvin. The average production of almonds in the years 1939-43 was 12,100 short tons and of other nuts 5,500 short tons. In the same years,

<sup>28</sup> Wilson, p. 64.

<sup>29</sup> Foreign Agriculture, February 1944, p. 37.

the average exports were 9,000 short tons and 2,500 tons respectively.<sup>30</sup>

*Vines.* Vines grow in all regions of Iran, except in the Gulf area, upto a height of 7,500 feet. Grapes are eaten raw and are used for manufacturing wine. The three principal zones of its production are Azerbaijan in north-west, Shiraz in the south, and Khurasan in the north-east.

### *Non-Food Crops*

*Cotton.* Of the non-food crops, cotton is the most important. It grows everywhere in the country up to 5,000 feet wherever irrigation is possible. All the Iranian provinces produce it for domestic consumption, but the chief centres that contribute to the surplus for export are the Caspian provinces of Mazanderan, Astrabad, Azerbaijan, Isfahan and Khurasan.<sup>31</sup>

The cotton grown in the central plateau of Iran is of low quality, being of very short staple. The region of Khuzistan at the head of the Persian Gulf and the valley of the Karun river is the only area pregnant with possibilities for the cultivation of the long staple. The Soviet trade officials have done their best to stimulate cotton production in Iran. In 1935, the total area under this crop was 240,000 acres and its production 71,649 short tons. By 1941, the area was increased to 500,000 acres and the production of the crop to 132,276 tons. In 1943, however, because of the need for food crops, the area planted under cotton was restricted to about half of the normal.

Most of the cotton produced in the country is locally consumed. Of the rest, the major portion is exported to Russia (56% in 1935-36). In 1943, because of the war situation exports came to a stop. Of a normal crop of cotton-seed, about 16,534 tons are used for feed, 16,534 for seed, and 33,069 tons for oil.<sup>32</sup>

Ibid., p. 38.

<sup>31</sup> Wilson, p. 63.

<sup>32</sup> Foreign Agriculture, February, 1944, p. 38.





*Silk.* Since ancient times the fascinating and lucrative industry of silk worm culture has flourished in Iran. It was introduced probably from China. The climate of Gilan is specially favourable for the mulberry tree and the silk worm. About 88% of the total silk produced in the country is, therefore, obtained from this province.

The industry was in a very flourishing state in the 18th century when the production of silk reached the high-water mark of 13 million pounds.<sup>33</sup> In the second half of the 19th century the industry was ruined by disease. It revived to some extent upon the importation of eggs from Japan, Turkey and Russia and by 1914 exports amounted to 1,200,000 pounds, mostly from Gilan,<sup>34</sup> but as an aftermath of the World War I, the industry was again ruined, mainly due to foreign competition. In 1943, the normal yearly crop was about 1,500,000 pounds, of which about 600,000 pounds were exported, mainly to Russia.<sup>35</sup>

There is a ready market for raw silk, and its production is a valuable subsidiary village industry, in which women and children play the principal part. Transport difficulties do not seriously hamper its development; nor need the locust be feared. It is an industry with a future, and if the importation of eggs is controlled by experts, and methods of production are improved, it should play an important part in the improvement of the rural life of Iran.<sup>36</sup>

*Tobacco.* Iranian tobacco is famous in western Asia. It is grown almost in the whole of the country and is widely consumed by the people, both in pipes and in the form of cigarettes. It is a bulky crop, however, and in consequence does not compete successfully in international markets, though a substantial quantity of tobacco, known

<sup>33</sup> Wilson, p. 63.

<sup>34</sup> Ibid., p. 61.

<sup>35</sup> Foreign Agriculture, February, 1944, p. 38.

<sup>36</sup> Wilson, p. 56.

as tombac, is exported to Egypt, and smaller amounts to neighbouring countries.<sup>37</sup> It is now a government monopoly and its production is increasing. In 1939-43, the average area under cultivation was 30,000 acres and the produce of the crop 14,000 short tons. Of this only 4,000 short tons were exported, the rest of it being consumed within the country.<sup>38</sup>

*Opium.* This is a crop which has been cultivated in Iran since very early times. The reason is that the poppy from which it is extracted grows in nearly every part of the plateau, (eighteen provinces out of twenty-six but the main being Khurasan, Isfahan, Kermanshah, Luristan, and Fars), the crop being free from attacks of locusts. It provides a livelihood to a larger population than any other crop in the country except wheat.<sup>39</sup> It is a "money crop" and gives great activity to trade. During the last half a century it has become a staple article of export. It is a dangerous drug and hence a prohibition on its export from Iran was attempted by the League of Nations in 1923. The Government derives a large income from this drug and hence it did not accede to the wishes of the League, though it promised to reduce and control its cultivation with the development of other substitute crops.<sup>40</sup> Late Raza Shah, the king of Iran, tried to curtail its production by restricting it to certain provinces only, and prohibiting it in others. Its trade was also put under control. The Sultaneh Ministry has more recently (November 1946) passed a law by which the cultivation and consumption of this drug will be totally stopped except for medical uses. The problem, however, is not so easy of solution. Merely by passing a legislation no quick results can be obtained. A large number of people in Iran are addicted to this narcotic,

<sup>37</sup> Ibid., p. 59.

<sup>38</sup> Foreign Agriculture, February, 1944., p. 39.

<sup>39</sup> Wilson, p. 56.

<sup>40</sup> Ibid., pp. 57-58.



and illegal trade in it still flourishes.<sup>41</sup> In the years 1939-43, the average area under poppy cultivation was 82,000 acres and its production was 700 short tons. Of this 600 tons were exported and 100 tons consumed within the country.<sup>42</sup> What is, therefore, needed is popular education amongst the masses against the deadly effects of the use of narcotics.

*Tea.* The cultivation of tea on the slopes of the Elburz hills, in northern Iran, is a phenomenon of recent growth. Very large plantations of tea at Lahijan have been recently started by Chinese experts. In 1936, a German firm also erected a drying factory there.<sup>43</sup> The possibility of an expansion in the area, under this crop is, however, very limited, since the climatic conditions of the plateau are not suitable for the tea plant. In 1939-43, the average area under cultivation of this crop was 10,000 acres, and its production 1000 short tons. A large portion of the normal requirements of the country in tea is, however, still imported from India, Dutch East Indies, China and Ceylon.<sup>44</sup> In 1941-42, the value of such imports was 33,138,000 rials.<sup>45</sup>

*Sugar.* In olden times Iran was famous as a sugar producing country, and the plantations of Ahwaz and the Karun basin enjoyed a wide renown.<sup>46</sup> The sugar cane from Khuzistan was exported to every part of Iran and even to Egypt. But with the destruction of the ancient irrigation works by the Mongols, Huns and other barbarians, the cultivation of sugarcane was greatly reduced. At present, sugar cane is sparsely cultivated in the Caspian littoral only. The crop needs very well tilled fields and a great deal of moisture. If the Karun river can, therefore, be harnessed for irrigation purposes, there is a very

<sup>41</sup> Foreign Agriculture, February 1944, p. 28.

<sup>42</sup> Ibid., p. 36.

<sup>43</sup> E. Sutton, p. 85.

<sup>44</sup> Ibid.

<sup>45</sup> Statesman's Year Book, 1944 p. 1179.

<sup>46</sup> M. K. Khan, p. 17.

great possibility of the production of this crop in South-West Iran.

At present sugar-beet is the source of practically all the sugar grown in Iran. It is principally a plateau crop, grown under irrigation. The provinces of Khurasan, Teheran, Isfahan, Azerbaijan, Kermanshah, Khuzistan and Fars are the principal beet producing areas. The area planted under this crop increased from about 15,000 acres in 1934 to about 75,000 in 1942. In 1934 the production of this crop amounted to 66,138 short tons, whereas in 1939-43 it averaged 192,900 tons.<sup>47</sup> The country is not, however, self-sufficient in the matter of sugar production, much as the Government would wish it to be, and in 1941-42 sugar of the value of 106.6 million rials (about £ 833,000) was imported.<sup>48</sup>

*Vegetable Oils.* The production of vegetable oil is relatively limited. It is extracted mainly from cotton seed. Other sources are olives, sesame, linseed, and castor beans. The total average production for 1939-43 was 5,500 short tons of cotton seed, and, 3,300 short tons of the other oils.<sup>49</sup>

## § 7. AGRICULTURAL MARKETING

There are no regulated markets in Iran, nor is there any system of licensing *bona fide* merchants. Before 1933, even the weights and measures were related to local systems, but on 8th January of that year they were linked to the metric system.<sup>50</sup>

The system of marketing of agricultural produce is inefficient and involves great waste.<sup>51</sup> With a small load of fruits, or cereals, or oil, or other products on the

<sup>47</sup> Foreign Agriculture, February 1944, p. 38.

<sup>48</sup> Statesman's Year Book, 1944, p. 1179.

<sup>49</sup> Foreign Agriculture, February 1944, p. 36.

<sup>50</sup> Department of Overseas Trade Report, 1935, p. 11.

<sup>51</sup> The material for the above is based mainly on an article, "Co-operation in the Middle East", by Tennous in Foreign Agriculture, June 1944, pp. 135-137.

back of his donkey, camel or mule, the farmer has to come from his village to the market in the neighbouring town. All his day is spent in selling that small amount of produce and buying a few necessities. The transaction is struck through a city broker who usually gets the better end of the deal. The fixation of price is done by him. The peasant cannot verify his honesty, and has to accept whatever price is fixed by the broker. Then, there is no arrangement for grading the produce according to quality. The peasant sells his produce immediately after harvest time when prices are at the lowest. He has to do so in order to get money for paying rent to the landlord, and interest charges to the money-lender. There is no arrangement for storing the grain and for keeping it safe against the ravages of pests.

A scheme was formulated by the Government in 1936 to construct seven silos at important agricultural centres of the country (namely Tehran, Tabriz, Isfahan, Meshed, Kermanshah, Ahwaz and Shiraz) but only one silo, namely that at Tehran, was completed (in July 1939). In 1940, new price regulations were introduced, the effect of which was to ensure all wheat being sold in the region in which it was grown. Prices, according to this regulation, were to be fixed not by the quality of the produce, or the cost of production, but according to the standard of living of the people in a particular region.<sup>52</sup>

### § 8. AGRICULTURAL FINANCE

The agriculturists of Iran like those of India are steeped in debt. There is hardly a cultivator who is found free from this scourge. Agriculture involves a good deal of investment of capital at the time of sowing the crop. Money is needed for the purchase of agricultural equipment and for the supply of seeds, manures, water etc. The return of this investment involves a long period of anxious waiting (about eight to nine months). If the rainfall is timely

<sup>52</sup> E. Sutton, p. 86.

and nature merciful, the crop may be splendid; otherwise the whole labour is wasted, involving the cultivator in inextricable debt. This happens in Iran as much as in other backward agricultural countries. The habits and social customs of the Iranian people, involving great expenditure of money over religious ceremonies, festivals, feasts, marriages, intoxicants, litigation, etc. also add greatly to their monetary burdens. Hence, they often lack the requisite capital for agricultural operations and have to borrow it.

*Supply of Agricultural Credit.* There are two sources of supply of credit to the agriculturists:—

(1) The Agricultural and Industrial Bank of Iran (previously a part of the Banque Mellie Iran founded in 1927), established in 1937; and,

(2) The landlords, the money-lenders and the city merchants.

The Bank has its branches at the principal agricultural centres of Iran but it provides assistance only to owners of land on the security of land possessed by them. The vast majority of peasants in Iran, being landless proletariat, find it difficult to borrow money from the Bank, and have, therefore, to fall back upon the second source for the supply of credit.

The landlords and the money-lenders advance money to the agriculturists at exorbitant rates of interest. The rate is apparently very moderate. Interest is charged on the instalment (kist) basis, locally known as the ten-thirteen or ten-fifteen system. For example Rs. 10 is advanced for six months and Rs. 13/- or Rs. 15/- is repayable at the end of the period. Calculated on a yearly basis, the charge amounts to 30, 50 or even 100 per cent. The city merchants supply credit to the peasants not in cash, but in merchandise. In this way they get double the advantage; they charge higher prices for their goods, and, at the same time, earn their normal rate of interest.

As a solution of this vexed problem of agricultural credit many in Iran advocate the development of co-opera-

tive societies, based on the Raiffesen model. Such societies have been established in Palestine with fair success.<sup>53</sup>

## § 9. STATE POLICY WITH REGARD TO AGRICULTURE

Before Reza Shah Pahlevi, who assumed power in 1921, the Government took little interest in agricultural improvements. Since then much has been done, though, on the whole, as is but natural in the case of a country following primitive methods of cultivation, the progress achieved has not yet been very marked. Paucity of funds, the conservative habits of the people, and the large percentage of illiteracy among the populace have all worked as serious hindrances.

The first step taken by the Government was the setting up of a separate Department of Agriculture with a Director-General at its head. This department prepares the various schemes in regard to agricultural improvement and puts them into action through its numerous officers. A brief account of the work done so far is given below under different heads.

*Land Reform.* In the year 1934, the Government abolished the fixed tax on land and substituted in its place a tax of 3 per cent on the actual produce of land sold in the market. Also, in the same year, it passed a law authorising the sale of a part of the crown lands, part of the proceeds of which, together with some other funds, were to be lent to the Agricultural Bank.<sup>54</sup> Another Act was passed giving the Government powers to nationalise and sell land and irrigation works belonging to religious foundations, the proceeds of which were to be devoted to schools, hospitals and the maintenance of historical buildings. A comprehensive scheme of land registration was also introduced.<sup>55</sup> In May 1946, the

<sup>53</sup> This material is based on an article in *Foreign Agriculture*, June 1944, pp. 135-137 entitled *Co-operation in Middle East* by Tenuous.

<sup>54</sup> Department of Overseas Trade Report, 1935, p. 38.

<sup>55</sup> E. Sutton, p. 84.

Council of Ministers, under the leadership of Ghavam-es-Sultaneh, the Prime Minister of Iran, to further alleviate the lot of the peasants and to increase the number of small landowners in the country, passed a radical legislation providing for the wholesale distribution of all state lands among the peasants. According to this law, each peasant is to be given a maximum of 10 hectares of land, on credit, to be advanced by the Agricultural Bank, repayable after 15 years and, carrying a rate of interest not exceeding 5 per cent.

*Irrigation.* As pointed out before, the Government have set up a Department of Irrigation and Dam Construction as a part of the Ministry of Agriculture and final plans for the construction of dams and barrages in various parts of the country are ready. Barrages are being constructed on the Karun river and irrigation on a fairly large scale is foreshadowed.<sup>56</sup> Recently some American experts have been engaged to prepare plans for improving the country's 400 year old underground irrigation system.

*Agricultural Credit.* To provide financial aid to the agriculturists, the Government established an Agricultural and Industrial Bank in 1933. This Bank was formerly a part of the National Bank of Iran, founded in 1927, but in 1933 it was made a separate establishment with its own capital. It gives assistance to cultivators particularly in the case of technical crops such as tea, cotton, tobacco etc., which supply raw materials for native industry or replace imported produce.

*Agricultural Instruction.* The Government has established a number of agricultural schools, veterinary colleges and experimental stations during the past few years, the most notable amongst them being the tea plantation at Lahijan, the forestry school at Kharkun in Mazandaran, and the farm in the marshes at Shadegan in Khuzistan.<sup>57</sup> An agricultural school also exists at Teheran which

<sup>56</sup> Department of Overseas Trade Report, 1937, p. 22.

<sup>57</sup> E. Sutton, p. 86.



organises periodical exhibitions of agricultural machines and imparts practical training in their use.

*Anti-Locust Measures.* The Government has also directed its attention to the menace of locusts. The prevention work is done by officers stationed in various parts of the country. For a simultaneous and more effective solution of the locust menace, the Iranian Government has been working in collaboration with the neighbouring governments including the Government of India<sup>58</sup>. Plant diseases have also been the subject of discussion with the U.S.S.R. delegates.

*Agricultural Marketing.* The Government has paid some attention to the problem of agricultural marketing also. Some of its activities in the field have already been described in § 8 "Agricultural Finance". The Government has also taken pains to popularise the use of improved seeds and manures among the peasants. It has also tried to improve the breed of cattle and for that purpose has imported from France a number of cattle and sheep for purposes of cross breeding. In 1940, it launched upon a five-year plan for a 50 to 200 per cent increase in agricultural production. Due to the war much progress could not be achieved in this direction.

*Reclamation of Waste Land.* There are vast areas of waste and uncultivable land lying in the desert areas. The Government is making efforts to reclaim such lands. In Khuzistan (South Iran), 16,000 acres of such land have been reclaimed and put under cultivation of wheat and barley. It is proposed to extend the scheme and bring more waste land into cultivation with the aid of agricultural machinery from the U.S.A. bought through the Middle East Supply Council.

*Relief Fund.* In July 1946, the Council of Ministers approved of the constitution of a special relief fund for rural areas. The main objects of this fund, as set out in the plan, are to help poor peasants with seeds and cattle

<sup>58</sup> The Statesman, dated, 19th June 1943.

by advancing them money on nominal rates of interest, to render gratuitous help to sick, infirm or disabled peasants, to supply cheap agricultural tools and implements, and to set up co-operative societies for the purchase and sale of the villager's produce. The fund consists of Government grant, a part of the land revenue paid by the landlords to the state and a part of the revenues of peasants having their own cattle. The supervision of the fund has been entrusted to a non-official body consisting of the representatives of peasants, landowners, the Ministry of Agriculture and the Agricultural Bank.

#### § 10. CONCLUSION—AN ESTIMATE OF IRANIAN AGRICULTURE

The general review of the agricultural products of Iran, given above, gives us an idea of the potentialities of the soil and the varieties of the agricultural products grown in that country. We have seen that, provided the necessary conditions are fulfilled, there are immense possibilities for the cultivation of many new crops and the development of many new industries, based on agricultural products, in Iran. The Khuzistan province promises to be a valuable field for the production of long staple cotton. The Caspian area is ideally suited for sericulture and fruit industry. The Hamadan, Yezd and Kirman areas are full of possibilities for the development of large scale wine industry. The dry fruits industry can also be similarly developed. But all this progress is hampered by a variety of factors, the more important being the following:—

- (1) Conservatism of the people and their averseness to change; (2) Lack of education; (3) Uncertainty of land tenure; (4) Sub-division and fragmentation of holdings; (5) Extreme poverty of the peasants; (6) Almost complete absence of canal irrigation facilities; (7) Use of primitive and antiquated methods of crop cultivation; (8) Absence of manures and modern agricultural tools and implements; (9) Usurious system of money lending; (10) Absence of



regulated markets; (11) Lack of modern transport facilities; (12) The ravages of locusts and other plant insects; and (13) The halting Government policy in regard to agricultural improvements.

The reform of the land tenure system in Iran is overdue. No permanent agricultural improvement can take place in a country where the peasants do not feel themselves to be the owners of land. Irrigation and transport development are the other two serious problems. The improvement of agriculture depends on efficient irrigation. Already some schemes are in view but more efforts are needed. Equally important is the question of transport. With an efficient system of cheap transport the production can be increased and the export trade developed. An increase in the standard of living of the peasants is also called for. A high standard of living means greater efficiency and hence more production. Agricultural education, seed selection, the use of modern machinery, medical assistance for the peasants, universal inoculation of the cattle against rinderpest, the adoption of chemical manures and an improvement in the general health of the live stock are some of the other reforms which the state should undertake.

The problem of rural credit also needs pointed attention. The establishment of co-operative societies, as pointed out earlier, can go a great way in solving this problem. It is the agency which can perform the functions required for the solution of the farmer's problems. These problems are the extension of credit at reasonable rates of interest, careful supervision of the manner in which the loan is spent, development of the farmer's social and economic character, and supplying village life with a new tradition based upon modern ideas voluntarily selected and adjusted to local culture.

Co-operation has a special appeal to the medieval mind. In Iran, the family life, and the village and tribal organisations of the people, are themselves based on a co-operative model. The vast territory over which the

nomads roam is the common property of the tribe. They live under a leader called sheikh. An elected majlis settles their disputes. Inside the family, the patriarch is the legal owner of the property, but all the members of the family contribute towards the cultivation of land and share equally in its produce. In many cases, the cash income and expenditure are also shared. The unemployed and destitute members of the family are jointly looked after by the whole unit. Even marriage questions are settled by the family as a whole. Inside the village, the people help each other in agricultural operations. They combine in thrashing, winnowing and transporting the grain. The sharing of animals for ploughing is a common practice. The irrigation ditches are jointly cleared and water is divided and shared by mutual arrangement.

All this proves that the idea of co-operation is already deeply imbedded into the psychological make-up of the people. What is needed is the utilisation of this instinct for the solution of the other economic problems of rural life in Iran.

## CHAPTER IV

### INDUSTRIES IN IRAN

Iran was the home of cottage industries before the advent of industrial revolution in Europe. She used to export her manufactured articles like carpets and rugs, woollen fabrics and silk, namdas and felts, metal-wares and embroideries to Egypt, China, Italy, and other European countries. Her carpet and woollen industry and enamelling work in gold, silver and copper were the pride of the nation. Iranian home-made fineries found their markets in the capitals of Europe and the fashion centres of America.

But with the opening up of commerce with European nations and the introduction of cheap machine-made goods from England and other countries all indigenous industries began to decay. Iran, like other Asiatic countries, instead of being an exporter of manufactured articles, became an importer of finished goods and an exporter of raw materials. This state of affairs continued right up to the time of the accession of Raza Shah Pahlavi to the throne of Iran in 1925. After this year, organised attempts were made by the King to introduce modern industries into the country. His attempt was to make the nation independent of foreign imports. With the same object in view he passed the Foreign Trade Monopoly Act of 1931, the object of which was to control all imports with a view to giving encouragement to national industries. Just before the World War II, a large number of new industries had been started in the country and old industries revived; but all further schemes of the Government were upset by the war. During the period of hostilities, no imports of machinery or tools and implements could take place and the country was menaced by an economic crisis

of an unprecedented character. The cost of living rose to sky rocketing heights (the cost of living index in March 1946 was 1500 per cent above 1931<sup>1</sup>) and an acute scarcity of all essential goods was felt. The autarchy aimed at by the Government, therefore, remained incomplete.

At present there are two kinds of industries in Iran—(i) cottage industries, and (ii) small and large scale factory industries.

### § 1. COTTAGE INDUSTRIES

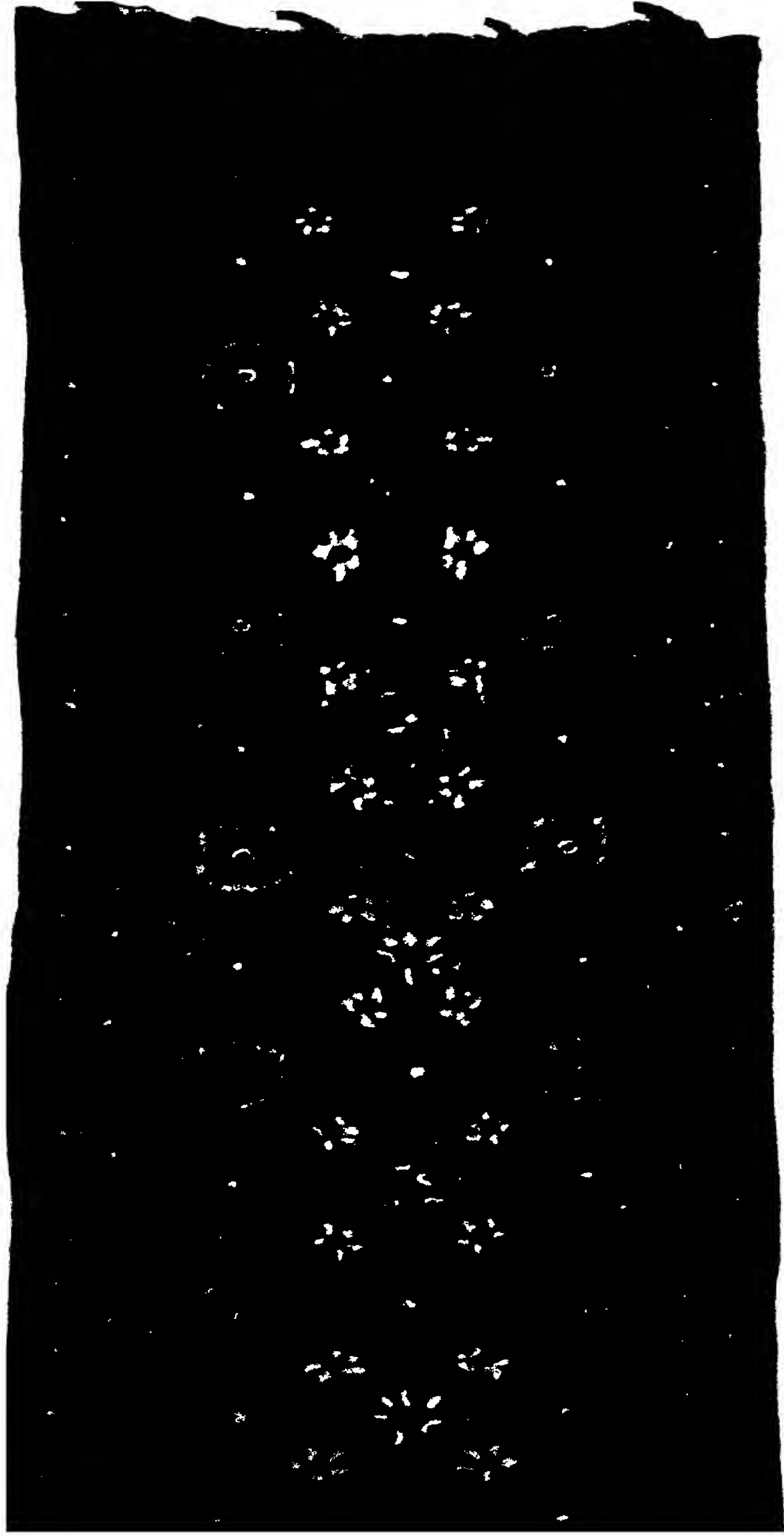
Amongst the more important cottage industries of Iran are the carpet industry, the silk-weaving industry, metal working industry, embroidery industry, wood carving industry and miniature painting industry.

*Carpet Industry.* Of all the industries of Iran carpet making is the most ancient and famous. It is mainly concentrated in Sultanabad, Khurasan, Kurdistan, Kashan, Yezd, Kirman and Fars, though on a small scale it is carried on all over Iran and even among the nomads. In point of artistic excellence the Iranian carpets surpass the carpets made anywhere else in the whole world. They find a ready market in America, England, Turkey and France. In 1941, the total value of carpets exported approximated 142 million rials.

The carpets are entirely hand-made. A great deal of time is involved in their manufacture and this is responsible for their high cost. A carpet 2' × 1' is ordinarily finished in five hours, in other words, one square foot in 30 hours. All carpets vary in their cost and the number of designs is legion. They are marked by the strongest individual characteristics, so that it is impossible to mistake the products of different provinces or districts.

During the first part of the present century, the introduction of aniline dyes, though strictly prohibited by the Government, had a deplorable effect on the carpet industry. Since 1937, the industry has been carried on

<sup>1</sup> Hindustan Times, dated the 7th April 1946



The beautiful carpets of Iran



under the direct supervision of a monopoly. An embargo has been placed on all carpets made with chemical dyes and other poor materials.<sup>2</sup> A school has been established to teach the best workmanship and designs.

During the period of war, the carpet industry suffered a great set back. Owing to the very high cost of living and low wages, many of the weavers deserted the carpet looms for road building and other public works undertaken by the Allies.<sup>3</sup>

In addition to woollen carpets, there are also manufactured in Iran wonderful soft felts called namdas, mostly at Yezd, Kirman and Isfahan. Cotton carpets are also manufactured for poorer classes.

*Silk and Woollen Industry.* Next in importance to carpets are the woollen fabrics which produce the beautiful shawls of Kirman, and the silk industry which is centred in Yezd, Kashan and Khurasan. These industries were in a very prosperous condition in olden times, but the introduction of cheaper goods from Europe ruined them. Recent legislation which provides that all government officials should wear home-made clothes has revived the woollen industry to some extent.

*Cloth Weaving Industry.* Coarse cotton cloth is manufactured in all districts of Iran but not exported. At Isfahan, Qalamkars, or Chintzes block-printed on cotton or silk tissues are made which are commonly used for curtains and are also exported to Europe. Modern methods of production are, however, displacing handicrafts more and more.

*Metal Industry.* Metal work has been one of the most renowned of Iran's industries in the past, and it still exists in many parts of the country, though on a reduced scale. The enamelling in gold, silver and copper is the best surviving relic, and it is still practised at Shiraz, Isfahan, Zanjan and Burnjied.

<sup>2</sup> E. Sutton, p. 103.

<sup>3</sup> Review of Commercial Conditions in Iran (1945).

*Arts and Crafts Industry.* Isfahan is the centre for most of the arts and crafts, mosaics, lacquer, wood carving and ghalamkars (printing of designs on silk or other material with blocks) industry. At Abadeh carved spoons and boxes are a notable production. Mosaics seen on the walls of Iranian mosques and the royal palaces represent a most exquisite art; so does wood carving which may be seen on boxes, frames and furniture, made of delicate pieces of multi-coloured wood. The fine craftsmanship exhibited in these articles is a proof of the artistic skill and taste of the people of Iran.

*Miniature Painting.* Another traditional art which still goes on in Iran, though with some lack of originality, is miniature painting. The fineness and detail of work in these paintings, specially those of Isfahan, is really wonderful. The subject and design were selected from classical models.

There is a very great scope for the further development of cottage industries in Iran, specially if facilities of capital, credit, markets and tools and implements are provided by the Government. At present the tools used by the cottage workers are primitive; they do not possess enough capital to expand their business; the facilities for the popularisation of their products in foreign countries are lacking; and, there is little provision for technical education on right lines. It is, however, reported that the Government is now devoting some attention to tackle all these problems.

## § 2. FACTORY INDUSTRIES

The installation of modern industries in Iran began in a small way from the early years of the 20th century, but until the end of the first World War not much progress was made. The era of rapid industrialization began in the year 1925. A great deal of work has been done directly by the Government, though, every kind of encouragement has been given to private enterprise as well. The results achieved during the short span of about 15 years, 1925-1940







(no important industrial development could take place during war years, for reasons pointed out earlier) are really praiseworthy. Almost all towns, even of small size, have been provided with electric power plants. This has made possible the development of small scale factory industries in different parts of the country. The more important factory industries are the following:—

*Sugar Industry.* The first attempt at starting a sugar industry in Iran was made by a Belgian company, the Societe Anonyme Pour La Fabrication du Sucre en Perse, in 1895.<sup>4</sup> As this industry, if developed, would have meant a great loss to the Russian sugar industry, which till then was in control of the Iranian market, the Russian Government dumped sugar into Iran at a very low rate. Consequently, the Belgian company could not withstand the competition and it ceased functioning in 1899. After this, the first sugar factory was built in 1930 at Kabrizak, ten miles south of Teheran. The Government having adopted protectionist policy this time, the industry proved successful and by 1935-36 it began producing 2,211 tons of loaf sugar per annum.<sup>5</sup> At present, there are 8 sugar mills in the country, the largest being at Karaj, Veramin and Marv-Dasht near Shahi (all on the railways). The last factory which started working in 1936, is wholly state owned and was constructed at a cost of 23 million rials. It gives employment to about 1000 labourers—200 permanent and 800 seasonal. Its productive capacity is now being doubled. The smaller sugar factories are near Shiraz, at Shahabad near Kermanshah, at Miandoab near lake Rezaiye, at Erak and near Meshed.

Both cane and beet are used in the manufacture of sugar. There are larger plantations of beet at Karaj. In 1940, 2,40,000 tons of beet were used, as compared to 1,70,000 in 1939.<sup>6</sup> In all, the sugar factories produce about

<sup>4</sup> M. K. Khan, p. 48.

<sup>5</sup> E. Sutton, p. 103.

<sup>6</sup> Ibid.

10,000 tons of lump sugar, and a similar quantity of granulated sugar, about one-third of the total demand of the country.<sup>7</sup> During the period of the second World War a great scarcity of sugar was experienced in the country and thousands of tons of gur had to be imported from India to meet the crisis.

*Textiles.* Another important industry of Iran is the textile industry. It comprises of the cotton ginning, weaving and spinning sections. It is gradually replacing the vast quantities of cloth imported from Russia and elsewhere. The largest cotton mill is at Shahi. It has 12,000 spindles. It mainly served the needs of the army. Other important mills are at Yezd, Isfahan, Meshed, Bandar Abbas, Semnan, Kerman, Tabriz, and Teheran. In all there are some 23 mills with a total of about 1,20,000 spindles. The annual production is 4,500 tons of yarn and about 5 million yards of cloth. Some 6,000 men and 1,300 women are employed.<sup>8</sup> It is proposed to establish several new factories in the post-war era. Plans have been drawn up for the extension of Nassaji and Sanayee factories in Fars.

*Wool.* Woollen goods are produced at Tabriz, Qazvin, Yezd and Isfahan. There are 9 mills, with a total of some 25,000 spindles. There is an annual output of 100 tons of yarn, 150,000 blankets and 1 $\frac{3}{4}$  million yards of cloth. The mills employ 2,700 men and 500 women.<sup>9</sup>

*Hosiery.* There are 25 factories, some using machines but others run entirely on hand labour. 600 men and 400 women are employed.

*Silk.* Silk goods are mainly produced at Resht and in the state owned factory at Chalous. The latter factory has 8,000 spindles and 224 looms.

*Jute.* Jute is grown on a fairly large scale in the Caspian region. Jute mills are located at Resht and Shahi.

<sup>7</sup> Review of Commercial Conditions in Iran (1945).

<sup>8</sup> Ibid.

<sup>9</sup> Ibid. (All the latest figures for the number of different industries, etc., are taken from the same source).

Annual production is about 8 to 10 million metres of gunny and about 4,000 kilograms of strings and ropes.

*Cement.* The vast amount of new construction occasioned by the erection of several factories produced a demand for cement, and a factory was set up in 1932 at Kharizak near Teheran. It has a productive capacity of about 90,000 tons per annum.

*Flour and Rice Mills.* A large number of flour mills now exist in all parts of Iran, specially near the silos of Teheran, Tabriz, Qazvin, Hamadan, Meshed, Isfahan and Shiraz. Teheran mills have a storage capacity of 60,000 tons of wheat. In the rice growing areas of Mazandaran and Gilan, there are numerous factories for husking, cleaning and polishing of rice. About 14,000 tons of rice is husked and turned out annually.

*Bakery.* A giant state bakery to supply the entire bread needs of Teheran was built near the capital in 1933. It supplies pure stuff to the inhabitants at controlled rates.

*Distilleries.* A large number of distilleries (about 15 in all) exist in the various parts of Iran, specially in the northern provinces and Fars. Large distilleries are located at Teheran, Meshed, Shiraz, Isfahan, and Qazvin. The two beer factories at Tabriz and Teheran have a total output of about 2½ million bottles per year.

*Wood Industry.* Wood industry came into existence in Iran, at the time of the construction of the Trans-Iranian Railway. There are now 2 factories which produce about 300,000 sleepers and 12 to 15,000 metres of ordinary timber.

*Iron and Steel.* Iran is still backward in iron and steel industry. A small number of iron foundries and blast furnaces are located in Mazandaran. It is proposed to erect a new plant in the same area to smelt 300 tons of iron per day.<sup>10</sup>

*Chemicals.* The Iranian Government aims at making the country independent even for chemical supplies, hitherto all imported. With the same object in view it has con-

<sup>10</sup> E. Sutton, p. 104.

structed state factories which produce important chemicals such as sulphuric acid, hydrochloric acid, barium carbonate, barium sulphate, and calcium carbonate.<sup>11</sup> In July 1943 with the assistance of British and American experts a new plant was erected which produces potassium bi-carbonate, sodium bi-carbonate, sodium hydroxide, refractory bricks, naphthaline and caustic soda. A plant for the production of sulphur is also under operation.<sup>12</sup> A Government factory near Teheran also produces coke, naphthaline, and other products extracted from coal.

*Soap.* There are 14 factories producing annually 300 tons of toilet soap, 1000 tons of laundry soap, and 1400 tons of oils. In addition a soap and glycerine factory, recently opened, produces 720 tons of glycerine, 12,000 tons of soap of various kinds, 5000 candles and 50 kg. of stearine.

*Matches.* Matches are mainly manufactured in Tabriz Zenjan, Teheran, Isfahan and Hamadan. They supply about 100 million boxes per annum.<sup>13</sup> Total number of factories is six.

*Tobacco.* The tobacco industry supplies the bulk of the country's needs. The most important factories are situated in Teheran and they produce 12 million cigarettes a day.

*General Industries.* Besides the industries enumerated above, a large number of miscellaneous factories have also been started in the country. Thus a ship-building yard exists at Pahlavi (the first ship, a dredger, was launched in November 1940). Air craft and munition factories, and repair shops for locomotive machinery and motor vehicles have also been established during the period of war.

*Glass.* A glass factory was established near Teheran in September 1939. It employs about 900 men and can

<sup>11</sup> Economic Conditions of Iran, p. 15.

<sup>12</sup> The Statesman, dated 1st July, 1943.

<sup>13</sup> Economic Conditions of Iran, p. 15.

produce 10 tons daily of a variety of domestic and industrial glassware. A smaller glass factory is operating at Resht.

*Leather.* At Tabriz, factories produce leather goods. In all there are 7 tanneries producing leather for footwear and saddlery.

*Vegetable Oils.* They are refined at Veramin, Babol, Tabriz, Isfahan and elsewhere.

*Canning.* Some half a dozen firms are engaged in the canning industry, producing fair quantities of canned fish, meat, vegetables, jams, pickles, etc. The state owned fish canning industry at Bandar Abbas can produce 2 million tons of fish during the fishing season of 5 months and 40-50 tons of fish meal a month.

*Oil Industry.* Among the most important industries of Iran, the one which has earned her an international reputation, is the oil industry. We shall, however, reserve its detailed treatment to the succeeding chapter.

### § 3. THE FISHING INDUSTRY

Besides oil, another industry of Iran, which though it does not strictly fall into the category of either a cottage or a factory industry, but which nevertheless constitutes an important source of wealth, is the fishing industry of Iran.

This industry is mainly situated along the southern shores of the Caspian Sea, where several varieties of fish are found in large quantities. In the Persian Gulf, the fishing industry was left largely uncontrolled by the Government till recently, but in 1937, a Danish expert was engaged to examine the possibilities of commercial development of fisheries in this part of the country as well, with a view to creating a new fishing industry. Just before the war, a small canning factory was erected in the port of Bandar Abbas which now produces 5 tons of fish conserve, 750 kilos fish flour and 500 kilos of fish oil daily.<sup>14</sup>

<sup>14</sup> Review of Commercial Conditions of Iran (1941).

*Development of the Industry.* The development of the fishing industry on the southern coasts of the Caspian Sea begins from the year 1867, when an exclusive concession for fishing was granted to a Russian subject called Lianazoff.<sup>15</sup> The concession was renewed for short periods from time to time until 1906 when, a long extension was granted to cover the period upto 1925.<sup>16</sup> The concessionaire established modern fishing stations in the principal ports of Iran. Before the war, these stations produced over 25 million pounds of fishes, the greater part of which were exported to Russia. In addition, about 540,000 pounds of caviare were produced, and were exported through Russia to other countries, probably to give them the name of Russian caviare.

The industry was working very well before World War I and brought in an annual revenue of £ 20,000 to the Government.<sup>17</sup> But after the upheaval caused by the success of the Bolshevik Revolution in Russia, the concessionaire failed to pay the royalties to the Government. The concession was, therefore, withdrawn by the Government in 1918 and leased to another Russian firm. This lease was short-lived, for the port of Enzeli (Pahlavi), which was the headquarters of the industry soon afterwards fell into the hands of the Soviet authorities.<sup>18</sup>

The conflict between the Soviets and the Iranians regarding the control of the fisheries in the Caspian Sea, resulting in a deadlock, and financial loss to both sides, continued till 1928, when negotiations for the conclusion of fresh agreement were started. A compromise was at last arrived at and it was agreed to have a joint Soviet Union-Iranian Caspian Sea Fisheries concession under the name of Societe-Mahi-e-Iran. According to the terms of this agreement, all the products of the fisheries including

<sup>15</sup> Department of Overseas Trade Report on Iran, 1937.

<sup>16</sup> M. K. Khan, p. 26.

<sup>17</sup> Encyclopaedia Britannica, XIVth Ed., Vol. 17, p. 557.

<sup>18</sup> M. K. Khan, p. 26.



caviare are, in the main, to be exported to the Soviet Union.<sup>19</sup> The total production of fishes in 1939 amounted to 900,300 tons and of caviare 42 tons, valued at some 112,000 dollars.<sup>20</sup>

The export of fishes has been increasing during the past few years. Russia possesses more or less a monopoly share in this export. The following figures illustrate the point:—<sup>21</sup>

<i>Year</i>	<i>Total export of fishes in 100 rials</i>	<i>Percentage of total export</i>	<i>Chief countries of export</i>
1932-33 ..	5,016	.3	U.S.S.R., 5,002 (plus caviare 4,721)
1933-34 ..	8,735	.5	U.S.S.R., 6,200 (plus caviare 5,980)
1934-35 ..	13,423	.7	U.S.S.R., 12,777 (plus caviare 7,971)
1935-36 ..	13,580	.7	U.S.S.R., 7,663 (plus caviare 5,419)

This shows that the production of fisheries has been constantly increasing over the number of years. At present, the fisheries do not constitute a major national industry of Iran. But they are full of great potentialities. Specially, after the development of the Persian Gulf fisheries, the income of the state from royalties is bound to increase considerably. But, what the country needs is not only a more intensive exploitation of fisheries, but a scientific development and rationalisation of the whole industry. The improvements in the breed and varieties of fishes are also called for.

<sup>19</sup> Encyclopaedia Britannica, p. 557.

<sup>20</sup> Economic Conditions of Iran, p. 61.

<sup>21</sup> Department Overseas Trade Report, 1937, p. 39.

#### § 4. POTENTIALITIES FOR FURTHER DEVELOPMENT OF INDUSTRIES

It would appear from a brief account of the factory industries of Iran, given above, that the country is making rapid strides in industrial development, and but for the outbreak of the second World War, the nation would have achieved remarkable results. Iran is one of the richest countries in the world in matters of natural resources. Her oil wealth is unfathomable. Her mineral resources beat every other country in point of variety. Her power resources are also rich and adequate. Water power for the generation of electricity is abundant in the mountainous sections of the country and only needs utilization. Oil constitutes another important source of power. Iran, therefore, possesses almost all the essential requisites for her becoming a great industrial nation in the world. If she lacks anything, it is men and machines. There is an acute scarcity of trained technical personnel in the country. Heavy chemical industries and machine tool plants are also non-existent. If these two things could be supplied, Iran's place among the comity of industrial nations can be easily assured. In the matter of machinery, the country cannot manufacture her own equipment. She will have to depend, at least, for a considerable period of time to come, on foreign imports. Students will also have to be sent abroad for advanced technical training. The arrangement can be easily made with Britain or Russia, both of whom possess important oil concessions in the country, the latter having acquired a concession only in April 1946.

#### § 5. STATE INTEREST IN INDUSTRIAL DEVELOPMENT

The industrial development of a country under modern conditions, depends largely on state patronage. Till recently, before the end of the first World War, Iran did not enjoy any tariff autonomy. Her tariff policy was dictated by Russia and other countries. The whole

country was divided into 'spheres of influence' by the major nations. All earlier attempts, therefore, to industrialise the country proved failures. It was only after the year 1925, when a vigorous nationalistic policy was followed by the new Shah of Iran, Raza Shah Pahlavi, and a separate Department of Industries and Mines was established, that industrial development began to take place in the country. The most important factor which opened the way for the introduction of modern industries in Iran was the passing of the 'Monopoly Act.' Under the provisions of this Act, all private trading was severely restricted; imports were discouraged; and the Government began to take a direct interest in the trade and industries of the country. At present, about 150 major factories in Iran, representing about 50% of the total number of industries, are owned entirely or in part by the state. They are not, however, efficiently managed and invariably show a financial loss. A permanent exhibition of home products has been established in Teheran which is visited by thousands of travellers and inhabitants. Regulations have been passed to ensure the good quality of manufactured articles. In March 1919, orders were passed enjoining upon all government officers and departments to purchase and use home-made goods. All private trading in key commodities like tobacco, opium, textiles, sugar, tea, matches and motors has been prohibited. Price control has been introduced in the case of some of the articles like petrol and textiles. Schools have been established for providing technical training to students. Two Arts Schools at Teheran and Isfahan, where young students can learn arts and industries, have also been established. Technical schools, for both boys and girls, have been opened in Teheran and some other towns to provide factories and mines with engineers and the skilled labour which they require.

As a result of the Government efforts Khurasan and Teheran have become two of the leading industrial provinces of the country. Khurasan manufactures the celebrated

Khurasani sabres, fire arms of superior make, stone-ware, carpets of considerable fineness, namdas, woollen clothes, cotton goods, pustins or sheep skins, velvets and armour. The province of Teheran possesses the following industries :—knitting goods 16, soap 7, perfumes 3, wood carving 6, sugar refining 3, printing 34, jute 2, tannery 2, match 1, drinks 1, coal tar 1, cement 1, copper refinery 1, iron foundry 1, and glass 2.

It is expected that as a result of the implementation of post-war plans the country would soon begin to have new industries of almost every variety.

#### § 6. LABOUR CONDITIONS AND TRADE UNION MOVEMENT

The first labour legislation in the history of Iran was passed in August 1936.<sup>22</sup> It laid down detailed regulations regarding the construction of factories, provision of social amenities to labourers, observance of hygienic conditions, provision of water and bathing facilities for labourers, cleanliness inside factories, artificial light and safety measures, workmen's compensation, technical education, provision of Provident Fund facilities to labourers, and inspection of factories etc. The provisions of this Act were not, however, enforced strictly. The employers infringed the provisions of the law with impunity. The 1936 Act prohibited the formation of Trade Unions in Iran. It did so probably because Reza Shah Pahlavi did not want to countenance any strong labour movement endangering his dictatorship. In 1941, however, when Reza Shah abdicated, the Act was repealed, and the formation of Trade Unions allowed. At present, there are 68 Trade Unions in the country, covering unions of persons engaged in all sorts of vocations—teaching, law, agriculture, business,

<sup>22</sup> E. Sutton, p. 105.

service, etc.<sup>23</sup> There are also railway workers, drivers, municipal employees, land-owners, bakers and barbers, unions. All these unions are affiliated to 3 central bodies, *viz.*, Iranian Central General Labour Union, Iranian Labour Union Council and Iran Labour Union. Most of the Trade Unions owe their inspiration to the Tudeh party, though some have been initiated by the employers as well. There are, however, very few Trade Union leaders from among the workers.

In July 1946, a comprehensive labour legislation, superseding all previous laws on the subject, was passed by the Sultaneh Ministry. The law covers almost every aspect of the working conditions of labourers in Iran and makes detailed provisions in respect of hours of work, rest and recreation, holidays and leave, sickness and unemployment insurance, conditions of work inside the factories, safety measures, employment of women and children, minimum wage, trade unions and conciliation of disputes etc.

A special labour council to be known as the "Shorai Aliye Khar" has been set up under the Act to supervise the enforcement of the provisions of the law. The council will consist of equal representatives of the labourers and the employers, and will be charged with the responsibility of ameliorating the conditions of labourers in all parts of the country.

The new Act provides for a 48 hour week, weekly holidays, equal wages for men and women under identical conditions of work, a minimum wage depending on local conditions and cost of living index for each set of labourers to be determined by the Local Labour Union in consultation with the 'Shorai Aliya Khar', non-attachment of labourers' salaries in discharge of the employers' debts, and workmen's compensation in the event of death or injury to any labourer during the course of his or her work.

<sup>23</sup> British Ministry of Information papers.

Provision has also been made in the Act for the creation of a special fund to help the labourers in periods of distress. The fund will consist of a contribution of one per cent of their salaries made by the labourers and two per cent of such contribution made by the employers.

## CHAPTER V

### THE OIL INDUSTRY OF IRAN

Few things in the world have excited so much envy and enmity among the nations as the oil of Iran. A statesman remarked recently: "Iranian oil helped to win the war, but there can be little doubt, it is going to be a disturbing factor in keeping the peace."

Oil constitutes the life blood of the 20th century civilization. It is the power that fights the war and wins the peace. Its uses are innumerable and they are being added to year by year. It is difficult to think of civilised existence today without the use of oil or its derivatives. It is for this reason that the world's great powers seek to gain control of this life-giving fluid. Iran possesses one of the richest reserves of oil in the world. Its oil resources have been estimated at 16,450 million barrels or 30 per cent of the total world reserves of oil, only second to those of U. S. A. which is estimated to possess 20,000 million barrels of reserves.<sup>1</sup> In spite of these plentiful reserves the present production of oil in Iran, about 17 million tons per annum, amounts to only about 0.7% of the potential supply. This partly explains the reasons for the race among the leading nations of the world for securing oil concessions in Iran.

#### § 1. GEOGRAPHICAL LOCATION OF THE OIL FIELDS

Oil consists essentially of two elements, hydrogen and carbon. It is produced by the slow decomposition of what was once living matter buried down in sedimentary rocks. The chief sources seem to have been the sea weed, swamps and microscopic marine life called plankton.

<sup>1</sup> The Economist (London), Dated 11th March 1944, p. 143.



It is , therefore, chiefly found in blackish lagoons, river estuaries and along the fringes of ancient seas which have long since become dry land.

It is said that the vast oil bearing territory running down from the famous oil fields at Baku, through the Caucasus and Azerbaijan, and on both sides of the Turko-Iranian frontier to the Persian Gulf, was once the bed of a big sea which in the course of the evolution of the earth became dry land. The whole of this territory is, therefore, very rich in oil deposits.

The existence of oil in abundant quantities in Iran has now been proved at many centres, especially near the Persian Gulf. Actually, oil fields have been opened at Maidan-i-Naphtun, Maidan-i-Naphtik, and Maidan-i-Bibian comprising the oil fields at Masjid-i-Sulaiman, Haft Kel, Gach Saran, and Naft-i-Khanah on the Iranian-Iraq border, 80 miles north-east of Baghdad. Other areas, in the north and north-east, though extremely rich in oil deposits, remain unexploited.

## § 2. ORIGIN AND DEVELOPMENT OF THE OIL INDUSTRY

The oil industry of Iran is of recent growth. It is no doubt true that numerous spontaneous springs of oil have existed all over Iran since ancient times but they were never commercially exploited before the establishment of the Anglo-Persian (later the Anglo-Iranian) Oil Company in the year 1908. The reason was that the people of Iran are poor and backward and they could not undertake highly technical operations, in a rough and mountainous country, possessing no transport facilities, without outside aid.

*The D'Arcy Concession.* In 1901, the Iranian Government granted to Mr. William Knox D'Arcy, an Englishman who had made a fortune in mining in Australia, a concession, by the terms of which the Government received £ 20,000 in cash, paid up shares of a similar value,



and 16 per cent of the annual net profits as royalty.<sup>2</sup> The concession gave the exclusive right to bore for and to work oil throughout Iran except in the provinces of Azerbaijan, Gilan, Mazanderan, Astrabad, and Khurasan, during the period of 60 years from 1901. After a certain amount of geological examination drilling was started near Kasr-i-Shirin on the Iraqi frontier, but the place was so inaccessible that in spite of the discovery of a rich oil field in the area, its working had to be given up after a waste of about £ 300,000.

*The Anglo-Iranian Oil Company.* D'Arcy, thereafter, for lack of money, sold his concession to the Burmah Oil Company, which, in 1909, formed a new syndicate with a capital of £ 2,000,000 and a debenture issue of £ 600,000 under the name of Anglo-Persian Oil Company (the name was changed to Anglo-Iranian Oil Company in June 1935) to work the concession. This new company started work in 1912, at Maidan-i-Naphtun, and after very hard labour succeeded in discovering a very rich and easily accessible oil field at Masjid-i-Sulaiman, only about 145 miles from the Persian Gulf. Further developments rapidly followed. More wells were drilled in Haft Kel, Gach Saran and Naft-i-Shah. A pipe line, 145 miles long, was laid running from the wells to Wais on the Karun river, and thence through Ahwaz to the island of Abadan, situated in the Shatt-al-Arab, a few miles below Mohammerah. On this island a refinery, one of the biggest in the world, and the biggest in the East, capable of dealing with 14.5 million tons of oil per annum (about 3,20,000 barrels of oil per day) was also constructed.<sup>3</sup> This refinery has a total storage capacity of 2 million tons, a refining capacity of 40,000 tons of oil per day, a cracking capacity of 13,000 tons per day and a greater pumping capacity than the whole of London. It is now proposed to increase the capacity of the refinery to 400,000 barrels of oil per day. At present there are

<sup>2</sup> M. K. Khan, p. 38.

<sup>3</sup> Friedwald: Oil and War.

three refineries in Iran, one at Abadan, another at Bandar Shahpur and a third one at Kermanshah (erected in 1933).<sup>4</sup> The total capacity of all these refineries is about 16 million tons.

The production of oil was low in the beginning but it increased with improvements in technical operations. The figures for some years are given below:—<sup>5</sup>

<i>Year</i>								<i>Production in tons</i>
1913	..	..	..	..	..	..	..	80,800
1918	..	..	..	..	..	..	..	897,402
1923	..	..	..	..	..	..	..	2,959,028
1924	..	..	..	..	..	..	..	3,714,216
1925	..	..	..	..	..	..	..	4,333,933
1930	..	..	..	..	..	..	..	5,939,300
1931	..	..	..	..	..	..	..	5,750,500
1932	..	..	..	..	..	..	..	6,445,800
1933	..	..	..	..	..	..	..	7,086,706
1934	..	..	..	..	..	..	..	75,537,372
1935	..	..	..	..	..	..	..	7,487,697
1936	..	..	..	..	..	..	..	8,198,119
1937	..	..	..	..	..	..	..	10,167,795
1938	..	..	..	..	..	..	..	12,000,000
1939	..	..	..	..	..	..	..	9,583,285
1940	..	..	..	..	..	..	..	8,626,639
1941	..	..	..	..	..	..	..	6,605,320
1942	..	..	..	..	..	..	..	9,399,231
1943	..	..	..	..	..	..	..	9,705,769
1944	..	..	..	..	..	..	..	13,274,000
1945	..	..	..	..	..	..	..	17,000,000

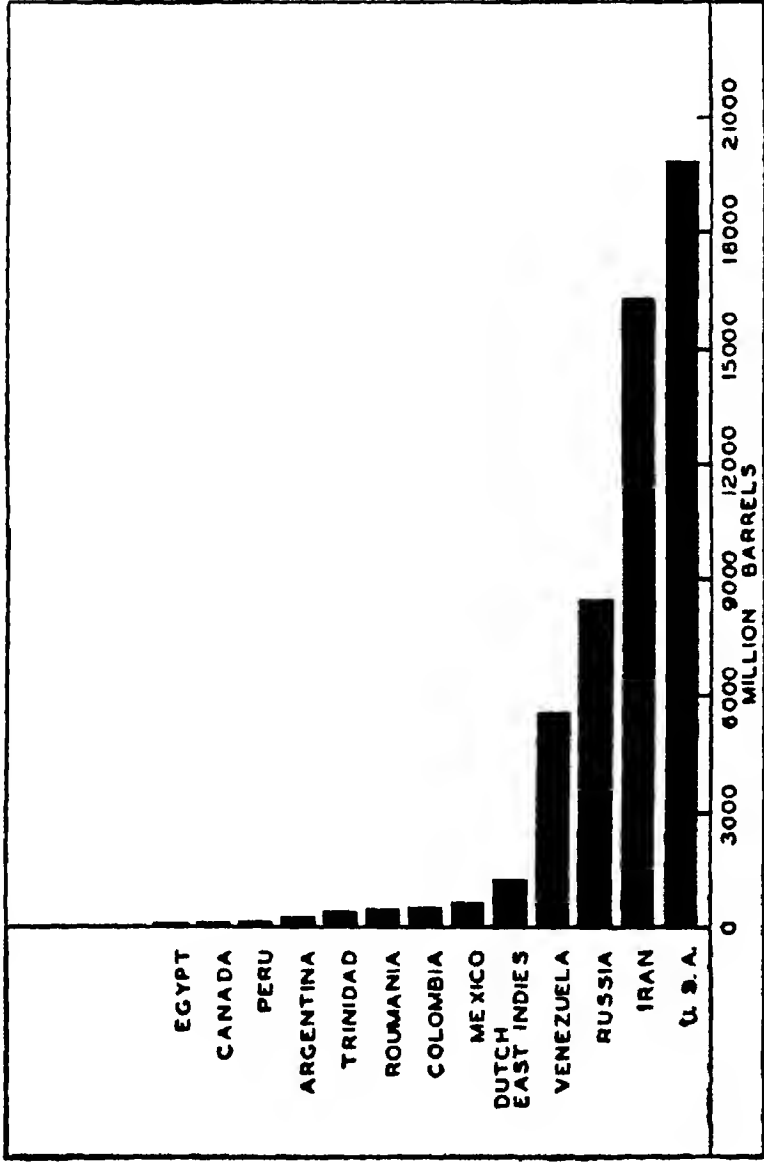
We have so far given an account of the production of oil mainly from two oil fields, Masjid-i-Sulaiman district, (56 square miles) and Haft Kel area (40 square miles). Wells have been sunk in other areas also and with promising results. But even then, most of the area of the country

<sup>4</sup> Oil and Petroleum Year Book, 1939, p. 131.

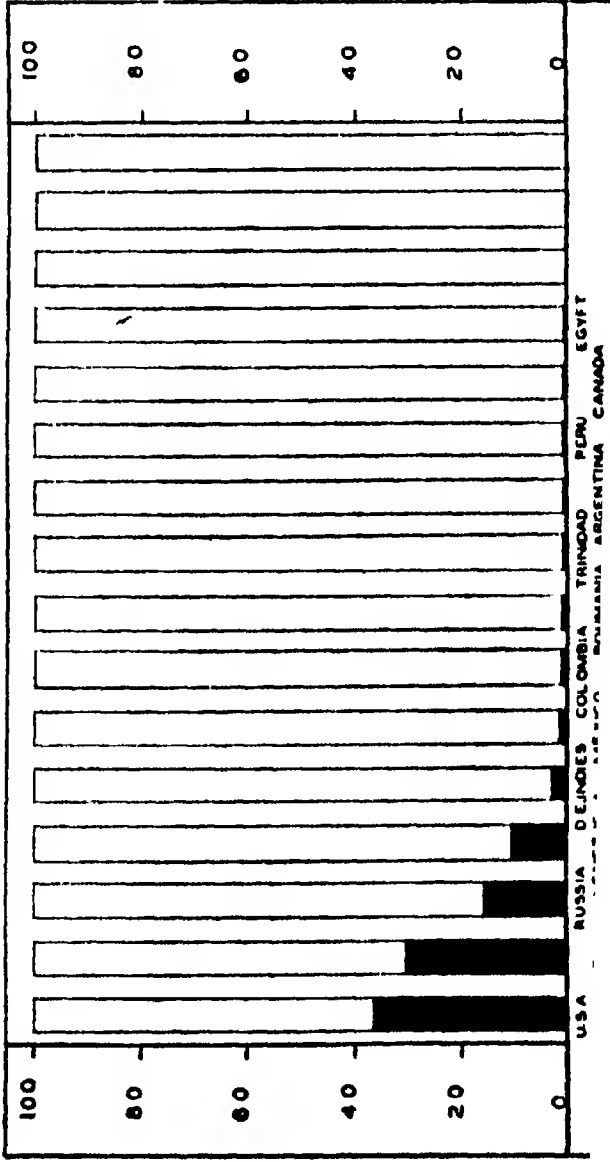
<sup>5</sup> Statesman's Year Book and Middle East Review for 1945 and 1946.

# PRODUCTION & RESERVES OF OIL (MINERAL) IN DIFFERENT COUNTRIES

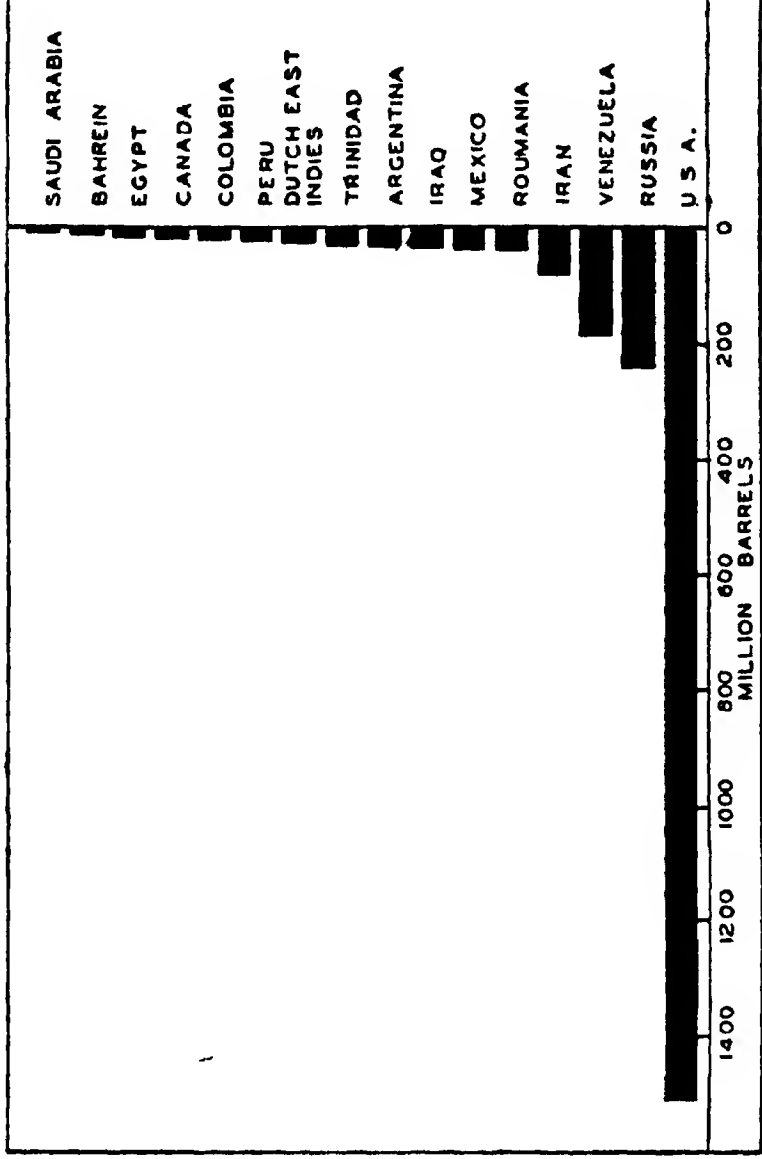
TOTAL ESTIMATED RESERVES FOR 1942



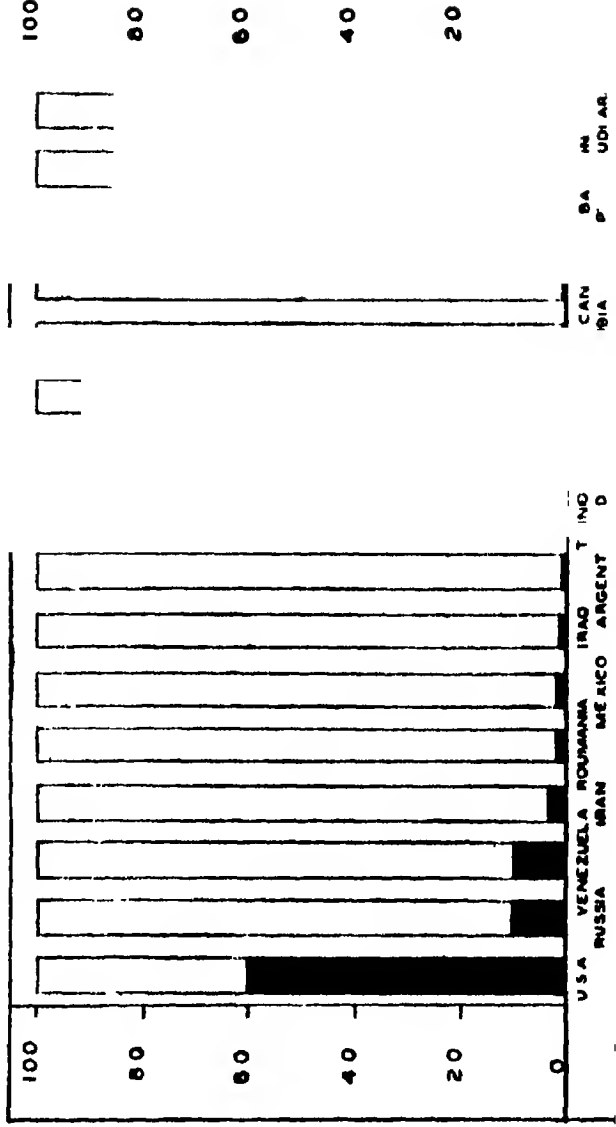
PERCENTAGE OF WORLD RESERVES



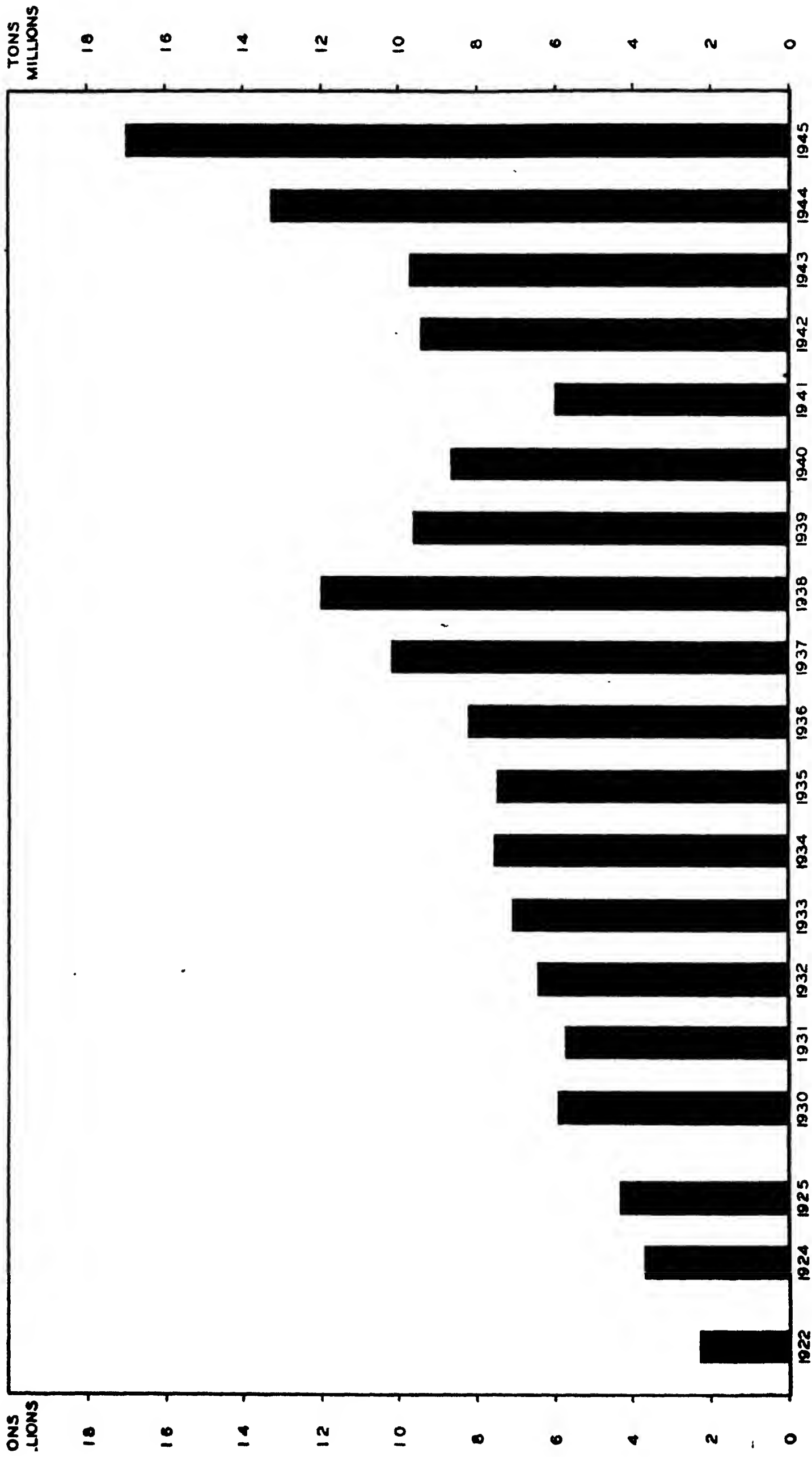
OUTPUT FOR 1943



PERCENTAGE OF TOTAL PRODUCTION



# OIL PRODUCTION IN IRAN IN DIFFERENT YEARS



remains unexploited due to transport difficulties and political considerations.

*Oil in Northern (Caspian) Provinces.* For the development of oil in the five northern provinces of Iran, which were not included in the D'Arcy concession, the Government, in the year 1923, gave a concession to the Sinclair Company of U. S. A., on condition that it arranged for it a loan of 10 million dollars and, that it gave a royalty of 20% out of net profits; but as the loan could not be arranged by the company, the concession was cancelled.<sup>6</sup>

Again, a concession for the exploitation of oil in North East Iran in an area of 1 lakh square miles was secured by the Sea Board Oil Company and others, who formed the Amiranian Oil Company in 1936 in Delaware, U. S. A. But this Company also abandoned the concession during 1938 on account of over production of oil in the world and a consequent fall in prices.<sup>7</sup>

Negotiations for the grant of an oil concession in South East Iran were started in September 1944, by the American Standard Vaccum Oil Co., the Sinclair Oil Co., and the British Burmah-Shell Company. In September, 1944, the Iranian Cabinet decided that the grant of oil concessions during the war should be deferred on the ground that Iran was not a free agent while foreign troops were in the country.

On September 13, 1944, M. Kavtaradze, Soviet Assistant Commissar for Foreign Affairs, arrived in Teheran to discuss the terms of a concession in North East Iran in an area of 110,000 square kilometres from Azerbaijan to Quchan. On October 21, 1944, Muhammad Said, the Prime Minister of Iran, announced that the Iranian Government had decided in reply to the Soviet request to postpone granting oil concessions to any power until after the war. On October 24, 1944, M. Kavtaradze declared in a press conference, "This amounts to a refusal

<sup>6</sup> M. K. Khan, pp. 42-43.

<sup>7</sup> Ibid.

and I must candidly and flatly confess that the decision is received exceeding unfavourably in Soviet circles.”

The Tudeh party staged mass demonstrations to support the Soviet demand but with the opposite effect, for it strengthened the position of the Government. In spite of this, Said resigned on November 9, on the ground that his departure from office might enable the Soviet Government to negotiate with another Iranian Government. Thereafter Murtaza Quli Bayat became Prime Minister on November 26, 1944.

On December 2, 1944 the following Bill was introduced in the Majlis by Dr. Musuddiq and duly passed:—

#### *Article 1*

In the matter of oil concessions no Prime Minister, Minister, Acting Minister or Under Secretary has the right to enter into any conversation having any official or legal effect with any official or unofficial representative of a neighbouring or other Government or with any representative of an oil company or with any other person; nor have they the right to sign any agreement connected with oil.

#### *Article 2*

The Prime Minister and the Cabinet may discuss the sale of oil or the manner in which the Iranian Government should exploit and control Iran's oil deposits, but must inform the Majlis of such conversations.

#### *Article 3*

Offenders against articles one and two will be sentenced to solitary confinement for a period of 3 to 8 years and will be permanently dismissed from Government service.

The Russians resented the passing of this law. They wanted an oil concession in Northern Iran for two reasons. First, they said, they legally enjoyed an oil concession in the region known as Kavir-i-Khourian in Northern Iran in an area of 12 to 1500 sq. miles.

This concession had been secured for them by a Russian subject of Georgia named Khostharia, and to work this concession they had formed a concern named Kavir-i-Khourian Company Limited in 1926. The Company started drilling in 1927-28, but oil in commercial quantities was not struck. At a later stage, in 1932, the company fell into disfavour with the Shah and all operations ceased. After August 1941, when Russian and other Allied forces entered Iran to ward off the danger against Nazi aggression, they reopened the question of this concession.

Secondly, the Russians claimed that during the period of the second World War, their oil fields in the Northern Caucasus, Grozny, Maicop and Novorossisk were overrun by the Germans and seriously damaged. Altogether 3000 wells with a normal production of 5,000,000 tons of crude oil were lost. Besides, the Germans destroyed refineries, demolished sections of the pipe line and scorched over 700 storage installations with a very large capacity. Added to this, the responsibilities of the Government increased, for, it had to supply the needs of the newly incorporated states of Eastern Europe, and meet the demands of the armies of occupation. For these reasons, the Russians said, they wanted an oil concession in Iran.

The stand taken up by the Iranian Government was that so long as there were foreign troops on Iranian soil, no negotiations for the conclusion of an oil agreement could be carried on. All foreign troops, in accordance with the terms of the Allied occupation of Iran, were required to be withdrawn from Iran, six months after the cessation of hostilities with Germany, i.e., in March 1945. At the stipulated dates, the British and American forces withdrew, but the Russians refused to walk out. It is said, they wanted the conclusion of an oil agreement before they were prepared to quit. For sometime in March, the diplomatic relations between the two countries appeared strained. The British and American Governments brought pressure on the Russian Government to withdraw. The matter was also brought before the United

Nations Security Council. But before the matter could be finally discussed in the Council, Marshal Stalin, on April 8, 1946, announced the successful conclusion of an oil agreement between the two countries.<sup>8</sup>

*Irano-Russian Oil Agreement (1946)*

The terms of this new agreement are as follows:—

A joint Soviet-Iranian Oil Company will be formed in Iran to survey and exploit the oil fields in Northern Iran on the following conditions:—

First, during the first 25 years of the existence of the Company, 49 per cent of the shares will belong to Iran and 51 per cent to the Soviet Union. During the following 25 years 50 per cent of the shares will belong to Iran and 50 per cent to the Soviet Union.

Secondly, profits realized by the Company will be divided in proportion to the shares held by either party.

Thirdly, the boundaries of the Company's operations for the development of oil are marked on a map. The area excludes that part of Western Azerbaijan which lies to the west of the line starting at the point where the frontiers of Russia, Iran and Turkey meet and running south along the east bank of Lake Rezaich (also known as Lake Urumiya) 30 miles west of Tabriz through the town of Mianduab.

The Iranian Government undertakes not to grant oil concessions to foreign companies in territories agreed upon or any company which either employs foreign personnel or includes foreign capital.

Fourthly, the capital provided by Iran will be represented by oil concessions mentioned in article three. Soviet obligations include the covering of various expenditures, payment to specialists and workers and supply of all machinery and installations.

<sup>8</sup> Hindustan Times dated 9th April 1946.



Fifthly, the Company will operate for a term of 50 years.

Sixthly, at the expiration of this term the Iranian Government will have the right to buy the shares held by the Soviet Government or to prolong the agreement. The defence of areas where prospecting and other work is to be carried out will be the exclusive responsibility of the Iranian security organs and will be undertaken only by them.

The agreement for the formation of this Soviet-Iranian Company to be set up on the basis of this letter will be submitted for ratification to the Majlis as soon as the latter starts its legislative work. The elections being already over the Majlis would meet soon to take a decision on this vital matter.

The conclusion of this agreement opens a new chapter in the history of Russo-Iranian relations. It paves the way for a lasting Russian influence in Iranian territory. People, however, wonder how was it, that in spite of Dr. Musaddiq's law, forbidding the conclusion of an oil agreement till all foreign troops were withdrawn from Iran the agreement has become a reality? The answer probably lies in the fact that the Iranians claim this deal to be an agreement between two sovereign states and not a concession. The agreement will, in any case, have to be ratified by the new Iranian Majlis. After the conclusion of the agreement, the Russians withdrew all their forces from Iran by May 6, 1946.

### § 3. COMPARISON WITH OTHER COUNTRIES AND POSSIBILITIES OF FURTHER DEVELOPMENT

*Reserves of Oil.* It has been estimated, as previously pointed out, that Iran possesses the second largest oil deposits in the world. But at present only about 0.7%<sup>9</sup> of this potential supply is obtained. As against this, in U. S. A. 7.3% in Russia 2.4%, and in Venezuela 3.3%,

<sup>9</sup> Economist dated 11th March 1944, p. 345.

of the total estimated oil deposits in 1942 are exploited annually.<sup>10</sup> This depicts the backward state of the Iranian oil industry as compared with other countries.

*Output of Oil.* The Iranian oil fields surpass other countries in their productivity. One of the first oil wells drilled by the Anglo Iranian oil company—F-7—produced oil for the first seven years at the rate of 7,000 barrels daily and for the following seven, 14,000 barrels daily.<sup>11</sup> In the U. S. A. the average output of a well is only about 4 to 5 barrels per day.<sup>12</sup>

*Comparative Figures of Oil Production.* The following table<sup>13</sup> about the production and reserves of oil in the different countries of the world gives some idea about the place of Iran in the oil producing regions of the world.

<i>Country</i>			<i>Total estimated reserves for 1942 in 1000 barrels</i>	<i>Percentage of world reserves</i>	<i>Output in 1000 barrels for 1943</i>	<i>Percentage of total production</i>
U. S. A.	..	..	20,000,000	36.3 %	1,510,000	60.4%
Russia	..	..	8,500,000	15.4 %	237,250	10.6%
Venezuela	..	..	5,600,000	10.1 %	182,500	10.3%
Iran	..	..	16,450,000 (total for Persian Gulf)	29.9 %	75,000 (only Iran)	3.8%
Roumania	..	..	467,000	.84%	36,500	2.4%
Mexico	..	..	675,000	1.2 %	35,000	2.1%
Iraq ..	..	..	Not given	..	27,375	1.6%

<sup>10</sup> Ibid.

<sup>11</sup> New York Times dated 29th November 1944.

<sup>12</sup> Minerals Year Book (U. S. A.), 1945.

<sup>13</sup> Economist dated 11th March 1944.

Argentina	..	..	250,000	.45%	24,000	.9%
Trinidad	..	..	400,000	.72%	22,000	.8%
Dutch East Indies	..	..	1,250,000	2.37%	18,250	.7%
Peru	..	..	160,000	.29%	14,600	.6%
Columbia	..	..	500,000	.9%	13,450	.6%
Canada	..	..	135,000	.24%	10,000	.5%
Egypt	..	..	75,000	.13%	9,125	.5%
Bahrein	..	..	..	..	7,300	.4%
Saudi Arabia	..	..	..	..	5,475	.3%

Total Reserves 54,992,000    Total approx. output 2,080,000

The total production of oil in all the different countries of the world is only about 300 million tons. Iran can contribute much towards increasing this total. At present most of the area of the country remains unexploited. There are in all about 200 oil wells in the whole of Iran. As against this there are about 318,600 oil wells in the U.S.A. and about 30,000 fresh ones are dug every year.<sup>14</sup> There are only 3 refineries in Iran; in the U.S.A. the number is 560 (1940 figures) and they have a total capacity of refining 223 million tons of oil per annum.<sup>15</sup>

#### § 4. CAPITAL INVESTMENT IN THE OIL INDUSTRY

The Anglo-Iranian Oil Company was started in the year 1909 with a capital of £2 million divided in 1 million preference and £1 million ordinary £1 shares. In 1911, the capital was increased to £2.3 million. In 1914, looking to the strategic importance of the Iranian oil for its navy, the British Government acquired a controlling interest in the Company by purchasing shares of the value of £2 million ordinary and £1000 preference. The capital, thereafter, was increased from time to time to cope with the increased scale of production. The Bri-

<sup>14</sup> Home University Encyclopædia.

<sup>15</sup> Minerals Year Book (U. S. A.), 1944.

tish Government, in order to maintain its controlling interest in the concern, also purchased more shares. The figures for the expansion of capital and of an increase in the British Government's share in capital are given below:<sup>16</sup>

<i>Year</i>	<i>Total share capital subscribed in million £</i>		<i>Amount of shares acquired by the British Government in million</i>
1909 .. ..	2		Nil
1911 .. ..	2.3		Nil
1914 .. ..	4.4		2.001
1917 .. ..	5		2.001
1919 .. ..	20		5
1926 .. ..	24		(£ 11,250,000 ordinary, £ 1,000 preference) 11.251
1937 .. ..	33		5
1931 .. ..	20.5		5

At present (1944), the total authorised capital of the Company is £33 million. Out of this only £32,843,752 million worth of capital is issued as follows:—<sup>17</sup>

7,232,838	8% First Preference Stock.
£ 5,473,414	9% Second Preference Stock.
£ 20,137,500	Ordinary Stock.

32,843,752 Total Stock.

The unissued stock consist of—

£ 17,162	First Preference shares.
£ 26,586	Second Preference Shares.
£ 1,12,500	Ordinary Shares.

### Organisation

*Votes.* £1 Ordinary share entitles a holder to 2 votes and £5 Preference share entitles a person to only

<sup>16</sup> Oil and Petroleum Year Book 1939, p. 131.

<sup>17</sup> London Stock Exchange Year Book, p. 1944.

1 vote. The British Government in this way controls 52.55% of votes in the Company. It is also entitled to appoint 2 Directors who have the right to reject resolutions of the Board on certain subjects, the other Directors enjoying a right of appeal to the Government.

The dividends which the Company has distributed over a number of years are given below:—<sup>18</sup>

1916-17	..	..	..	6%	
1917-18	..	..	..	8%	
1918-19	..	..	..	10%	
1919-20	..	..	..	20%	
1920-21	..	..	..	20%	
1921-22	..	..	..	20%	
1922-23	..	..	..	10%	
1923-24	..	..	..	10%	
1924-25	..	..	..	1.	
1925-26	..	..	..	17½%	(with a bonus of 50% fully paid ordinary shares.)
1926-27	..	..	..	12½%	
1927-28	..	..	..	7½%	
1928 (nine months)	..	..	..	9¾%	
1929	..	..	..	20%	
1930	..	..	..	15%	
1931	..	..	..	5%	
1932	..	..	..	7½%	
1934	..	..	..	12½%	
1935	..	..	..	15%	
1936	..	..	..	20%	(with a cash bonus of £5 & a capitalised bonus of £50)
1937	..	..	..	20%	(with cash bonus of £ 5.)
1938	..	..	..	20%	
1939	..	..	..	5%	
1940	..	..	..	5%	
1941	..	..	..	7½%	
1942	..	..	..	20%	

### *Trade in Oil.*

The question of trade in oil can be divided into

<sup>18</sup> Oil and Petroleum Year Book

two parts.—

(1) Internal trade; and      (2) External trade.

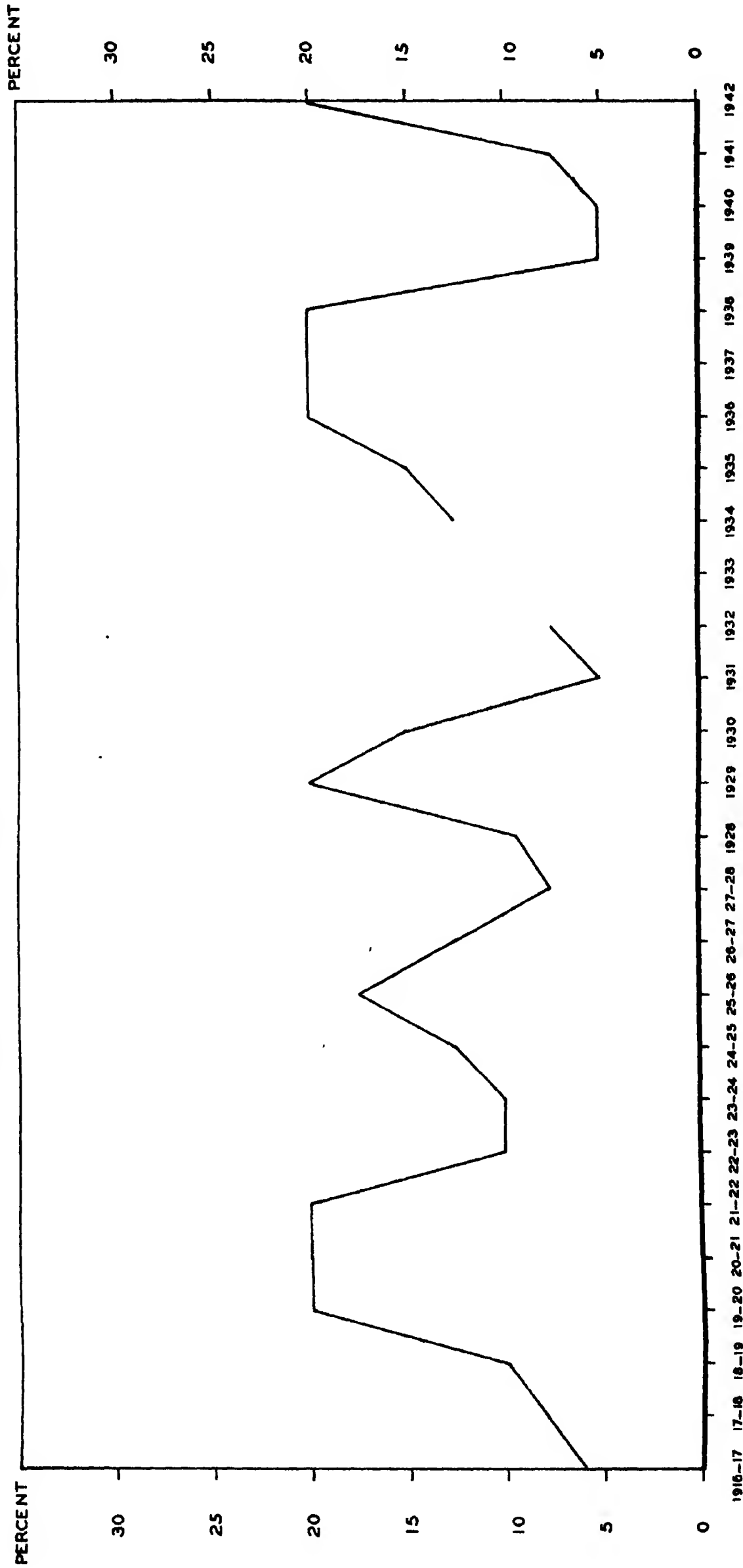
*Internal Trade.* The internal trade of a country depends to a large extent on the efficiency and cheapness of the means of transport. Unfortunately in Iran these means have been in a very backward condition. Till the year 1938, when Reza Shah Pahlavi completed the 870 miles long Trans-Iranian Railway, there were few other lines of note in the country. Most of the inland traffic was carried on along caravan routes or roads, mostly unmetalled. This explains the reason for the economic backwardness of Iran till the beginning of this century. The resources of Iran and the internal trade in oil could not also be developed for the same reason. It was not till an accessible oil field at Naiden-i-Maphtun, 145 miles from the Persian Gulf, was discovered in Iran that the development of oil industry could begin in right earnest. The first few oil fields discovered at Dalekī and Chah Surkh which were otherwise quite productive, had to be abandoned for lack of transport facilities. The development of the Maidan-i-Naphtun oil field would have also been difficult were it not for the easy construction of pipe lines along the slopes of the hills. Even now most of the oil regions of Iran remain unexploited for lack of cheap and efficient means of transport.

At present most of the oil is supplied by the Anglo-Iranian Oil Company in the interior by means of tank cars, specially made for the purpose. But the cost of transportation till the construction of the railway in 1938, was so heavy that in the northern provinces of the country, it was found cheaper to import oil from Russia than to secure it in tank cars from the Abadan refinery in the south-west corner. The figures of oil imports into Iran, for some past years are given below:—<sup>19</sup>

<sup>19</sup> Department of Overseas Trade Report on Iran for 1935 and 1937.

# PERCENTAGE DISTRIBUTION OF DIVIDENDS

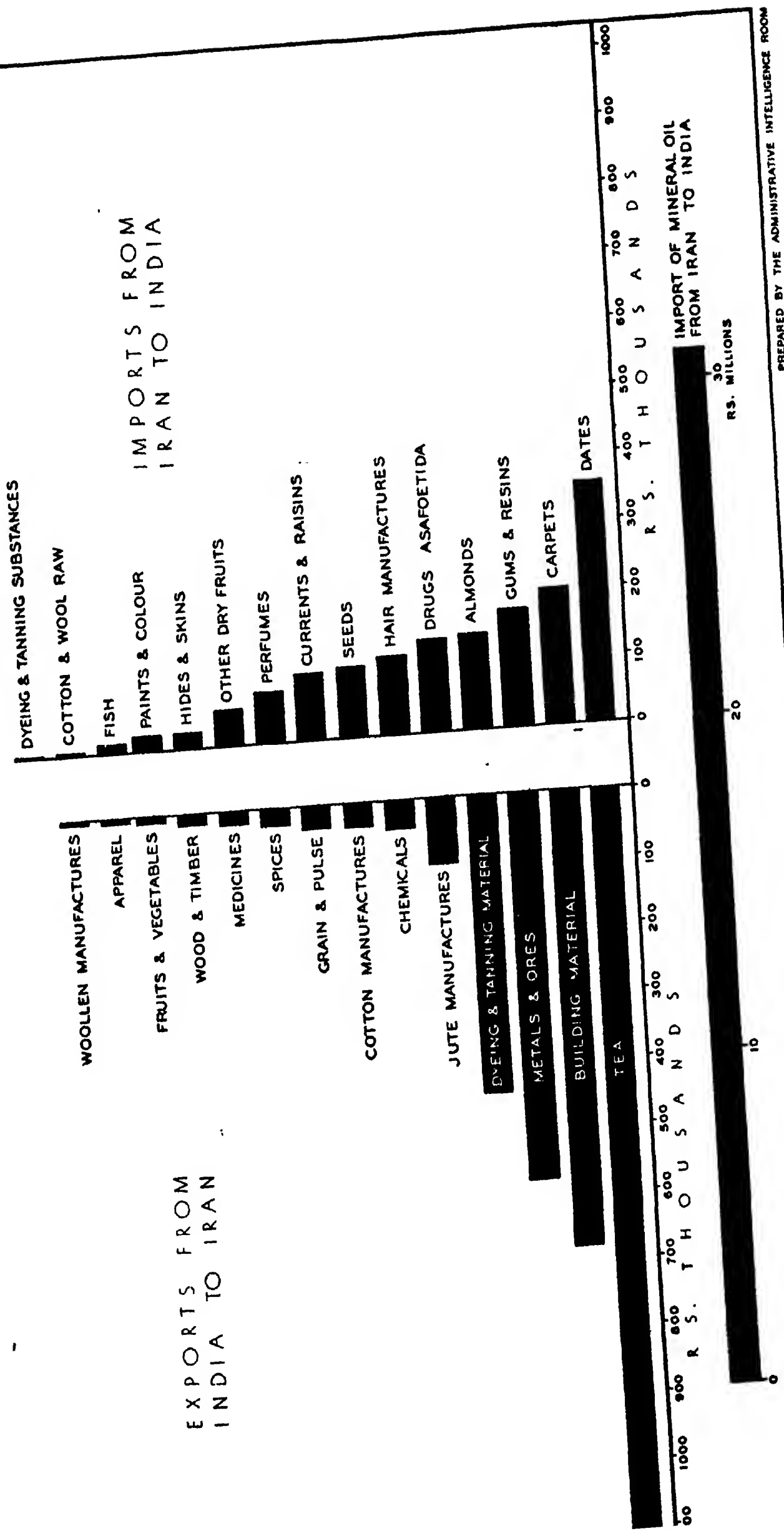
OF  
ANGLO-IRANIAN OIL COMPANY



NOTE: 1-1925-26 — WITH BONUS OF 50% FULLY PAID ORDINARY SHARES.  
1928 — NINE MONTHS  
1936 — WITH A CASH BONUS OF £5 AND A CAPITALISED BONUS OF £50  
1937 — WITH CASH BONUS OF £5

# COMPOSITION OF INDIA'S FOREIGN TRADE WITH IRAN

## 1940-41





<i>Year</i>		<i>Imports in millions of rials (128 rials=1£)</i>	<i>Percentage of total imports</i>	<i>Source of imports</i>
1932-33	..	41.4	6.3	U.S.S.R. 36.5 million U. K. 3.6 million
1933-34	..	16.8	2.3	U.S.S.R. 14.9 million U. K. 1.9 million
1935-36	..	10.8	..	..
1937-38	..	17.6	..	U.S.S.R. 12.7 U. K. 4.3 USA 0.5

This shows that the imports of oil have been gradually diminishing. The cost of transportation has decreased with the opening of the new railway. The refinery at Kermanshah set up in 1933 is catering for the needs of the northern provinces. The Company has been opening more and more depots and erecting more tankage and equipment for the supply of packed oil inside the country. The sales of oil inside the country have gone on increasing as the following figures show:—<sup>20</sup>

<i>Year</i>						<i>Sales in tons</i>
1932	..	..	..	..	..	34,650
1933	..	..	..	..	..	56,646
1934	..	..	..	..	..	81,891

*External Trade.* Oil is exported from Iran to different countries by tank steamers. The fleet of tankers and other ships controlled by the Company numbers 400 with a dead weight capacity of over one million tons.<sup>21</sup> The total capacity of all the world's tankers, in the year 1939, was 11.4 million tons, which means that the Iranian Oil Company owns about 9% of the world's total tankage.<sup>22</sup>

<sup>20</sup> Ibid.

<sup>21</sup> Oil and Petroleum Year Book, 1939.

<sup>22</sup> Friedwald, *Oil and War* : p. 17.

The figures of export of oil from Iran for some years are given below:—<sup>23</sup>

Year			Value in 1000 rials	Percent of total production	Chief markets value in 1000 rials
1932-33	..	..	1,143,279	68	U. K. 443,085 Egypt 239,763 France 125,755 Aden 70,534
1933-34	..	..	1,336,941	73	U. K. 546,017 Egypt 221,448 France 110,105 Aden 29,107
1934-35	..	..	1,396,776	72.3	U. K. 646,125 Egypt 180,576 Italy 88,808 Aden 81,556 India 56,192
1935-36	..	..	1,296,299	66.3	U. K. 550,034 Egypt 235,176 Aden 94,832 Africa 82,423 India 68,045
1937-38	..	..	1,877,262	56	..
1941-42	..	..	1,011,337	..	..
1942-43	..	..	3,482,672	..	..

The U. K. and Egypt, it is clear, were the most important markets for Iranian oil in the thirties. India was also taking some oil all the time.

*India's Intake of Oil and Iran's Share in it.* The total import figures for oil in India for some years are given below. These depict that the imports of oil into India have been gradually increasing and in these imports the share of Iran has also been increasing.<sup>24</sup>

<sup>23</sup> Department of Overseas Trade Report, 1935 and 1937 and Statesman's Year Book, 1944.

<sup>24</sup> Indian Year Book, 1944 and Jathar and Beri: Indian Economics, Vol. II.

<i>Year</i>			<i>Import of oil in- crores of Rs.</i>	<i>Percentage of total imports</i>	<i>Share of Iran in im- port of oil</i>	<i>Percentage of share of Iran</i>
1937-38	..	..	18.70	..	2.61	14%
1938-39	..	..	15.62	10.5	3.35	18%
1939-40	..	..	17.14	11.27	2.88	15%
1940-41	..	..	19.16	12.4	3.08	14%
1941-42	..	..	20.07	11.6	5.45	24%
1942-43	..	..	26.89	25.15	16.93	63%
1943-44	..	..	35.22	29.4	26.34	74%
1944-45	..	..	79.64	40.1	42.00(approx.)	52%
1945-46	..	..	77.80	32.3	43.00(approx.)	55%

### *Benefits of the Oil Industry*

#### *(a) To the Iranian Government.*

The oil industry of Iran benefits in the first instance the state. The royalties from Anglo-Iranian Oil Company have constituted in recent years between 10 and 20 per cent of the total revenues of the Iranian Government. In 1940-41, the total revenue income of the Iranian Government was 3,094 million rials or about 24 million pounds. Out of this, the royalty earned by the Government amounted to about 4 million pounds. The figures for the amount of royalty paid to the Iranian Government in different years are given below:—<sup>25</sup>

<i>Year</i>					<i>Total royalty in £</i>
1913-1920	..	..	..	..	165,674 (average for one year)
1921	..	..	..	..	468,718
1922	..	..	..	..	585,289
1923	..	..	..	..	624,200
1924	..	..	..	..	566,744
1925	..	..	..	..	327,323
1926	..	..	..	..	728,778
1929	..	..	..	..	1,478,893

<sup>25</sup> Dudley Stamp : Asia, p. 156.

<i>Year</i>						<i>Total royalty in £</i>
1930	..	..	..	..	..	1,323,679
1931	..	..	..	..	..	1,317,617
1932	..	..	..	..	..	1,502,778
1934	..	..	..	..	..	1,785,013
1935	..	..	..	..	..	2,159,143
1936	..	..	..	..	..	1,191,921
1937	..	..	..	..	..	2,580,206
1938	..	..	..	..	..	3,545,313
1939	..	..	..	..	..	2,770,814
1940-41	..	..	..	..	..	4,000,000

### *Change in the Terms of the Concession*

Upto the year 1932, royalties to the Iranian Government were given in accordance with the terms of the D'Arcy Concession of 1901. The rate of royalty in accordance with the terms of this concession was 16%. This concession was due to expire in 1961 but on the 27th November 1932, Reza Shah Paharvi, Shah of Iran, cancelled the concession. His allegations against the Company were that:—

- (1) the concession had been secured under pressure;
- (2) the amount of royalty had been unfairly calculated;
- (3) the Company had refused to pay income tax; and
- (4) the cost of oil in Iran was prohibitive.

The Company strongly protested, referred the matter to the League, but ultimately it had to yield ground.

The Concession was revised on April 29, 1933. It covers a period from May 29, 1933, to December 31, 1993, thus giving an extension of 32 years to the old concession. The main items of the new concession were as follows:—<sup>26</sup>

1. The area of the Company's operations is to be restricted to 1,000,000 square miles by December 31, 1938.

<sup>26</sup> Oil and Petroleum Year Book, 1939.

2. The Company is free to import, free of any payments, anything necessary for its operations in Iran.
3. All exports of petroleum are to be exempt from any payment other than royalty.
4. The royalty payable to the Iranian Government which is subject to an annual minimum of £750,000 comprises :—
  - (a) 4s. per ton on all petroleum products sold in or exported from Iran, and
  - (b) a sum equal to 20 per cent of any distribution in excess of £671,250 (which was 5% on the Company's then ordinary stock capital) made for any year to the shareholders.
5. In exchange for complete exemption from any Iranian taxation, present or future, the Company has agreed to pay for the first 15 years of the concession, 9d. per ton of oil on which royalty is payable upto 6 million tons, and 6d. per ton above that figure with a minimum of £225,000 per annum, for the second 15 years, 1s. per ton upto 6 million tons and 9d. per ton in excess of that figure with a minimum of £300,000 per annum. At the end of 30 years an agreement is to be reached as regards future payments.
6. The Company will keep a Government representative in its employ to keep a watch on accounts and check methods of calculation.
7. The Company has the right to surrender the concession on 2 years' notice.
8. At the end of the Concession, the Company's property in Iran is to revert to the Iranian Government.

The great increase in the Iranian Government's income, after the year 1933, is accounted for by this revised agreement. At present (1940-5) the income of the

Government from the royalties is about £4 millions as against an income of £1.5 million in 1932.

(b) *Significance of the Industry to the Iranian People.* The pioneers of the oil industry in Iran, in the initial stages, had to endure the hostility of the tribesmen, who placed many difficulties in the way of the Company's operations. But as it is seen now the oil industry is the only considerable large scale industry in Iran. It provides employment to about 66,000 labourers, including about 3,500 foreigners of whom about 1,000 are Indians. Previously a large number of foreign labourers were employed for technical operations. But now their number is being replaced by Iranian labourers who are provided with all sorts of technical jobs and are becoming engineers, technicians and experts.

There have been numerous other advantages of the industry for the local populace. New towns have been built equipped with substantial dwellings; jungles have been cleared and several prosperous industries established; new roads have been opened out and means of communications improved; schools and hospitals have been opened and amenities of life increased; clubs, playing fields, cinemas, theatres etc., have also sprung up in the empty desert or on the sides of barren mountains.

The trade and commerce of the country has also increased. Much of the favourable balance of trade for Iran is due to the export of oil. The development of modern industries in Iran can also be attributed to the success of the oil industry.

The purchasing power of the people has increased. Trade has become more brisk. New markets have been opened and banking facilities increased. With the exploration for oil several important minerals have been found. Their exploitation will increase, to a large extent, the national income of the country.

(c) *Benefits of the Industry to Foreign Capital.* The Anglo-Iranian Oil Company is a British concern. Its controlling interest is owned by the British Government

which owns shares of the face value of £11.251 million in the Company. The Company, besides having added to the prestige of the British Government as an example of a highly successful corporation, and provided it with a mineral of great strategic value, has also greatly benefited it financially. The amount of money earned by the British Government, in the shape of dividends and various taxes alone amounted to £ 6.5 million upto the year 1924. Since then a great deal more has been earned for which total figures are not available.

Mr. Churchill, in his book, "The World Crisis" estimated the amount gained and saved by the British Government by its participation in the Anglo-Iranian Oil Company at £40 million. In this he included

(1) the market value of the Government's 5 million shares, (£ 16 millions);

(2) the dividends and various taxes received, £ 6.5 millions;

(3) the amount actually saved on the oil purchases as compared with current prices, £7.5 millions;

(4) the further savings estimated on the balance of the contract, £ 10 millions.

Since the above book was written the capital investment of the British Government in the Company has increased to 11.251 million pounds. The market value of these shares is more than 4 times their face value. In 1938, the value of £1 ordinary share of the Company stood at £4.16, the values of £1 first preference and second preference shares being £1.12s. 9d. and £1. 15s. respectively.<sup>27</sup>

The Anglo Iranian oil Company has also gained immensely. In 1937, it earned a total profit of £ 7.9 million. The assets in that year were as follows:—<sup>28</sup>

<sup>27</sup> Oil and Petroleum Year Book, 1939, p. 15.

<sup>28</sup> London Stock Exchange Year Book, 1944.

								£
Cash	..	..	..	..	..	..	..	6,757,297
British Government securities	..	..	..	..	..	..	..	5,557,234
Other securities	..	..	..	..	..	..	..	1,813,792
Debtors	..	..	..	..	..	..	..	2,783,768
Stocks of oil and products	..	..	..	..	..	..	..	3,119,607
Stores and materials	..	..	..	..	..	..	..	1,688,182
Refineries, pipe lines, tanks buildings etc.	..	..	..	..	..	..	..	4,385,349
Shares in different companies	..	..	..	..	..	..	..	24,645,354
Interest and dividends receivable	..	..	..	..	..	..	..	1,930,336
							TOTAL	.. 52,708,909
Add Reserves	..	..	..	..	..	..	..	2,700,000
NAWAB SALAR JUNG BAHADUR							GRAND TOTAL	.. 55,408,909



## CHAPTER VI

### FOREIGN TRADE OF IRAN

Considering the vast and extensive natural resources of Iran, the volume of her foreign trade is extremely limited. The total value of Iran's foreign trade amounts to only about £50 million a year. Compared to the foreign trade figures of some highly industrialised countries like England and the U.S.A., this amount appears insignificant.

As a matter of fact, Iran has not yet emerged out of her medieval agricultural economy. In spite of recent efforts at industrialising the country and making her independent of foreign products, the essential feature of Iranian economy has remained unaltered, and even today more than 70 per cent of the people depend on agriculture. Iran is, therefore, like all other agricultural countries, including India, an exporter of raw materials and an importer of manufactured articles. Carpets are the only item in the export trade of the country representing a product of cottage industries. Other exportable goods include unmanufactured things like cotton, rice, gums, wool, cocoons, skins, fruits, opium and like substances. As against these exports, the bulk of her imported goods consist of manufactured articles like machinery, tools and implements, piecegoods, sugar, motor vehicles, stationery articles, chemicals and medicines etc. Only in the matter of food-stuffs can Iranian economy be termed as self-sufficient. In normal years Iran does not import any food grains; on the other hand, after satisfying her internal needs, she generally enjoys an exportable surplus. Just before the war, this surplus, under a barter arrangement, was being sent out to Germany. But the war radically affected the economy of Middle Eastern countries includ-

ing Iran. An acute shortage of food stuffs and other necessities of life was felt in all the countries. In Iran, this shortage amounted to about 16,000 tons per month in wheat, and 8,000 tons per month in sugar.<sup>1</sup> For the first time in Iran's history, therefore, thousands of tons of wheat and other foodgrains were sent by the Allies to make up this deficit. In the first six months of the year 1942, these imports amounted to more than 30,000 tons. In later years, they increased still further, and even Russia had to take part in relief measures. But now, with the return of peace, Iran is gradually settling down to her normal trade conditions. The summer harvest of the year 1945 was so splendid that the Cabinet decided to export 20,000 tons of rice from Iran.<sup>2</sup>

### § 1. HISTORICAL DEVELOPMENT OF IRAN'S FOREIGN TRADE

*Ancient Period.* It is evident from historical records that ancient Iran had vast trading connections with India, China, Central Asia, Babylon, Egypt, Greece and Rome. Herodotus writes that during the Achaemenian period Iran used to export various kinds of fruits, wines, foodgrains, honey and sweets to foreign countries. Wines found market in Egypt; foodgrains, honey and sweets in Greece; silk and silk goods in Rome and Northern Africa; while medicines, perfumes and scents which were a speciality of Iran were exported to almost all parts of the then known world.<sup>3</sup> During all this period Iran was almost independent of foreign imports, and she enjoyed a highly favourable balance of trade.

It was only during the nineteenth century, when Iran was caught in the whirlpool of commercial revolution that, owing to the imports of foreign made cheap products, Iranian home industries began to decay. And so great was the effect produced by this 'Commercial

<sup>1</sup> The Statesman, dated 4th February, 1942.

<sup>2</sup> Fortnightly note on Iran ending June 15th, 1945.

<sup>3</sup> A. B. Rajput : Iran Today, p. 89.

Revolution' on the internal economy of Iran that, by the beginning of the twentieth century, the country came to be dependent on foreign imports for almost all her requirements of life, except food. In the matter of exports also, there was an important change. Except for carpets, Iran, instead of being an exporter of manufactured articles became an exporter of raw materials. This change in Iran's economy closely resembles the corresponding transition in India. Before the first World War, the principal exports of Iran consisted mainly of raw materials such as raw cotton, raw wool, fruits, opium, skins, gums, raw silk, tobacco etc.,—the only industrial product exported being carpets. The imports were practically all manufactured goods like cotton textiles, sugar, kerosene, iron and steel goods, machinery and tools etc.<sup>4</sup>

The position does not seem to have changed much since then, except in matters of value and volume of trade. The articles of import and export remain practically what they were before, except that the export of petroleum products has greatly increased, owing to the rapid development of oil fields. Another noticeable feature which has taken place in the import trade of the country is that, prior to the year 1935-36, heavy imports of oil, amounting from 40 to 100 million of rials, used to take place in the country from Russia, as the difficulties and cost of transport from South West Iran of this commodity made it impossible to supply the markets of central and northern Iran from Abadan. But now owing to the construction of the Trans-Iranian Railway and a refinery at Kermanshah, these imports have very much decreased, though again, during the period of the World War II, they showed a tendency to rise.

The value and volume of Iran's trade with foreign countries, however, shows important developments. In 1901, detailed statistics of trade for which year were published for the first time, the total imports of Iran amounted

<sup>4</sup> M. K. Khan : Economic Position of Iran, p. 75.

to £ 5.5 million, and exports to £ 2.75 million. By 1907 the figures rose to £ 8 million and £ 6.5 million, an increase of 137 per cent, and by 1928-29, to £ 17.07 and £ 31.5 million—an increase of about 600 per cent. The whole of this increase should not, however, be considered as absolute as some of it was accounted for by an increase in the price of imported and exported goods also. But, nevertheless, there was a substantial increase. Much of this development can be accounted for by an increase in the imports of motor cars and accessories, metal wares and chemicals, and in the export trade by an increase of oil. The war of 1914-18 also did not very much affect the volume of Iran's trade; on the other hand, after the year 1915, it reached the high level of £ 40 million in 1919-20.

*Post-war Period.* In the post-war period, Iranian trade received a heavy set-back, partly in sympathy with the slump in world trade, and partly due to the collapse of the economic structure in Russia, Iran's best customer. The period of recovery, however, came rapidly and by 1928-29 the value of Iran's foreign trade again rose to £ 49 million, a figure hardly ever exceeded before 1939.

The following figures about the import and export trade of the country (both commercial and non-commercial) clearly illustrate the position:<sup>5</sup>

Year					Imports (£ 1000)	Exports (£ 1000)	Total (£ 1000)
1901 ..	..	..	..	..	5,500	2,750	8,250
1907-8	..	..	..	..	8,000	6,500	14,500
1908-9	..	..	..	..	7,450	6,524	13,974
1909-10	..	..	..	..	8,849	7,431	16,280
1910-11	..	..	..	..	9,690	7,509	17,199
1911-12	..	..	..	..	11,404	8,416	19,820
1912-13	..	..	..	..	11,352	8,727	20,079
1913-14	..	..	..	..	11,767	8,288	20,055
1914-15	..	..	..	..	8,322	6,601	14,923

<sup>5</sup> Statesman's Year Book, 1916 to 1944.

1915-16	..	..	..	..	7,735	6,281	14,021
1916-17	..	..	..	..	14,552	12,761	27,313
1917-18	..	..	..	..	15,602	11,291	26,893
1919-20	..	..	..	..	25,192	14,713	39,905
1920-21	..	..	..	..	14,184	10,917	25,101
1923-24	..	..	..	..	14,771	16,349	31,120
1924-25	..	..	..	..	18,368	23,814	42,182
1925-26	..	..	..	..	20,283	24,354	44,607
1926-27	..	..	..	..	16,189	22,716	38,905
1927-28	..	..	..	..	16,450	21,617	38,067
1928-29	..	..	..	..	17,070	31,597	48,667

In perusing the statistics of Iranian trade given above, it should be clearly borne in mind that Iranian official statistics are kept in two parts, the one relating to so-called "commercial" imports and exports, the second to other imports and exports.<sup>6</sup> The Iranian authorities do not include in the statistics of "commercial" imports the values of those goods which are imported free of duty, *viz.*, materials, etc., imported by the Anglo-Iranian Oil Company, the Société Mahi-e-Iran, Government Departments, State Banks etc. Similarly in the case of Iranian "commercial" exports the statistics do not include the values of oil exported to various countries by the Anglo Iranian Oil Company or of fish exported to U. S. S. R. by the Société Mahi-e-Iran.

The justification for excluding from the statistics of "commercial" trading the values and quantities of the imports and exports of the Anglo Iranian Oil Company and Société Mahi-e-Iran lies in the fact that the Company pays the Iranian Government an annual lump sum as a condition of its concession, and the Company's imports, required for the efficient operation of the concession as well as the exports of oil products, affect primarily the finances of the Company and only indirectly the finances of the state.

<sup>6</sup> Review of Commercial Conditions in Iran, 1945.

Owing to this exclusion from the Iranian trade returns of the values of non-dutiable imports as well as exports of the Anglo-Iranian Oil Company and the Société Mahi-e-Iran, the figures of Iran's trade with some of the countries are for some purposes misleading. For example, in the trade figures of Iran with England the export of oil made by the Anglo-Iranian Oil Company to the U. K. or the imports made by the same Company from England, are not included in the trade returns. To a casual observer, therefore, it may appear that England occupies only a minor place in her trade with Iran. Actually, it is not true. In fact, if we add the total amount of non-commercial exports and imports of Iran to U. K. and U. K. to Iran to the total amount of "commercial" trade, we will find that England, far from occupying a third rate position in her trade with Iran, occupies the most prominent place.

In the statistics of trade, however, which we have quoted above, we have included both the "commercial and "non-commercial" trade figures of Iran.

*The World Economic Depression and After.* The progress attained by the Iranian trade in the post-war era, came to a sudden stop in the midst of the world economic depression. In 1932-33, as the following figures will show, imports came down to less than £ 7 million, and exports to £ 17 million only. This new development was extremely disquietening and the Government of Reza Shah Pahlavi soon set itself to finding out the palliatives, if not the cure. In February, 1930, the Foreign Exchange Control, and on 25th February 1931, the Foreign Monopoly Law were passed. The latter Act opened up a new chapter in the history of the economic development of Iran. It prohibited the import of some luxury articles and of goods which competed with indigenous manufactures; restricted and strictly rationed the import of certain other articles like gramophones and tourist cars; and permitted the import of certain other articles only under a licence. It did not directly entail upon the Government the liability to buy and sell articles but required of merchants not to import goods

without an equivalent quantity of exports. In outline the system was as follows:<sup>7</sup> Anyone wishing to export goods was required to procure a licence which was granted on the explicit condition that all foreign currency received from the sale of transaction would be deposited in the National Bank. Against this deposit the exporter was permitted to import goods of a maximum value of half the amount of deposit. The other half went into the Government Sterling Fund, and was utilised for sending students abroad, securing materials for the railways, and the like.

Through the operation of this law, the Government reduced the imports into Iran by over a million pounds sterling without serious detriment to the export trade.<sup>8</sup> But it had adverse repercussions on the general economy of Iran. It is said for example that the Monopoly Act hit hard the class of consumers and the small traders. Due to the restrictions on imports, prices of indigenous products rose, and the consumers were exploited in the interests of the big industrialists; small merchants were ruined and business was concentrated in a few hands. Also, the system led to dishonest practices, specially in regard to the filing of returns about the value of exports.<sup>9</sup> During the period of the second war, the cause of high cost of living and rising prices in Iran was also attributed to this vile system. After a prolonged experience, therefore, the Government has now decided to dissolve the monopoly of textiles, sugar, tea and some other commodities.<sup>10</sup>

In spite of all the grave defects of the monopoly law given above it helped the Iranian economy at least in one respect. It greatly helped in bringing forward a recovery during the period of depression. The value of exports as well as imports rose, and in 1937-38, as the following figures

<sup>7</sup> E. Sutton : Modern Iran.

<sup>8</sup> Wilson : Iran p. 83.

<sup>9</sup> Ibid., pp. 8-87.

<sup>10</sup> Fortnightly note on Iran ending June 15, 1945.



will show, it touched the level of about £ 49 million.<sup>11</sup>

FOREIGN TRADE FIGURES OF IRAN DURING THE  
PERIOD 1929-30 TO 1938-39

<i>Year</i>					<i>Imports</i> (£ 1000)	<i>Exports</i> (£ 1000)	<i>Total</i> (£ 1000)
1929-30	..	..	..	..	15,860	27,152	43,012
1930-31	..	..	..	..	12,784	23,089	35,837
1931-32	..	..	..	..	7,887	20,459	28,346
1932-33	..	..	..	..	6,692	17,045	23,737
1933-34	..	..	..	..	10,463	22,589	33,052
1934-35	..	..	..	..	11,036	25,878	36,914
1935-36	..	..	..	..	11,886	22,527	34,413
1936-37	..	..	..	..	13,334	27,913	41,247
1937-38	..	..	..	..	17,327	31,800	49,127
1938-39	..	..	..	..	15,410	22,506	37,466

*ir Period.* In September 1939, World War II broke out, and in August 1941, Iran was occupied by the Allied troops to ward off the danger from Nazi aggression. The period of war in Iran, as in the rest of the world, brought in its wake acute economic crisis. For the first time in the country's history, food grains were imported into Iran, and the cost of living rose sky-high. The Allies pooled all their resources to help the country, and thousands of tons of foodgrains and other necessities of life were pushed into Iran from the neighbouring countries. The situation became definitely better after the year 1943-44. Detailed figures for the period of war are not available. The latest available figures are given below :<sup>12</sup>

<i>Yar</i>					<i>Imports</i> (£ 1000)	<i>Exports</i> (£ 1000)	<i>Total</i> (£ 1000)
1939-40	..	..	..	..	14,064	32,411	46,475
1940-41	..	..	..	..	15,772	34,336	50,108
1941-42	..	..	..	..	7,622	17,698	25,320

<sup>11</sup> Statesman's Year Book.

<sup>12</sup> Ibid.



## §2. THE CHARACTER OF IRAN'S FOREIGN TRADE

In the preceding pages, statistics have been given regarding the total import and export trade of Iran. It is intended in this section to give a detailed picture of the character and composition of these imports and exports.

*Imports*

The position in the pre-1914 period may be understood from the following figures:—<sup>13</sup>

## IMPORTS INTO IRAN DURING 1911-13

	1911-12 ( <i>Million krans</i> )	1912-13 ( <i>Million krans</i> )
Cotton goods .. .. .	178.8	186.2
Sugar .. .. .	128.0	139.0
Gold and silver bars and gold and silver coins .. .	99.1	17.2
Tea .. .. .	33.0	41.0
Yarn .. .. .	14.6	13.6
Petroleum , .. .	8.4	10.8
Flour .. .. .	15.4	22.5
Woollens .. .. .	19.4	15.8

During the first Great War and after, the position did not change, the preponderating position of cotton textiles, sugar and tea, as import items, continued as before. Petroleum also became an important item of import.

## IMPORTS INTO IRAN DURING 1914-22

(Figures in million krans)

	1914-15	1917-18	1920-21	1921-22
Cotton tissues .. ..	142.0	130.5	116.0	189.9
Sugar .. .. .	127.2	101.2	146.8	141.3
Tea .. .. .	23.2	15.5	25.3	31.3
Cotton yarn .. .. .	10.5	12.4	11.5	15.8
Rice .. .. .	7.0	19.0	13.1	21.9
Animals .. .. .	2.7	6.5	12.6	6.4
Machinery .. .. .	..	..	6.6	7.0
Petroleum .. .. .	13.0	16.0	3.9	15.8

<sup>13</sup>All figures, unless otherwise stated, about the value of trade are from Statesman's Year Book.

The twenties saw a substantial increase in the imports of cotton textiles, tea and machinery, while sugar suffered a relative decline. Much of this increase, however, in the absolute figures of values, must be regarded as illusory as the exchange value of the kran fluctuated during this period between 30 and 55 krans to pound sterling.

### IMPORTS INTO IRAN DURING 1927-29

						(Million Krans)	
						1927-28	1928-29
Cotton textiles	..	..	..	..	..	234.0	217.0
Sugar	..	..	..	..	..	92.9	97.7
Tea	..	..	..	..	..	56.2	68.8
Machinery etc.	..	..	..	..	..	42.3	23.5
Gold and silver	..	..	..	..	..	34.0	61.5
Mineral oils and greases	..	..	..	..	..	31.7	38.4
Cotton yarn ..	..	..	..	..	..	22.6	17.0
Household Utensils	..	..	..	..	..	20.2	23.5
Textiles, cotton mixed with artificial silk	..	..	..	..	..	16.9	12.6
Textiles, woollens	..	..	..	..	..	14.8	17.0

*During the World Economic Depression and After.* In pursuance of the policy of intensive industrialisation followed by the Iranian Government, the imports of machinery, motor vehicles, metals and hardware increased. But the preponderating position of cotton textiles still continued, though cotton yarn ceased to be imported after 1935. Tea and sugar etc., also continued to figure as major items of imports. For the period of war, no reliable statistics of trade are available. But from the limited amount of information gathered from different sources, it appears that while there was a decline in the imports of practically all the articles before the year 1941-42, accounting for a major share of the economic crisis in the country during war years, in subsequent years, there was some recovery. The following figures taken from Statesman's Year Book 1944 and A. B. Rajput's book 'Iran To-day' (1945 edition) throw some light on the topic:—

## IMPORT TRADE OF IRAN DURING THE WAR YEARS

						(In million rials)	
						1941-42	1943-44
Cotton textiles	..	..	..	..	..	18.3	21.1
Sugar	..	..	..	..	..	106.6	226.5
Machinery	..	..	..	..	..	44.1	29.2
Tea	..	..	..	..	..	33.1	83.4

The figures disclose that during the period of war cotton textiles lost their predominant position in the import trade, and sugar came forward to top the list. The imports of machinery also show a marked decline.

*Export Trade*

The chief item of Iran's export trade is petrol. It accounts for about two thirds of the total export trade of the country. A large part of the favourable balance of trade of the nation can also be attributed to it. Amongst other things which Iran exports are fruits and carpets, cotton, rice, gums, opium, wool, cocoons, skins, cotton and some food-stuffs. The following figures taken from the Statesman's Year Book indicate the position of exports over a number of years:—

## EXPORT TRADE FIGURES FOR IRAN

		1911-12	1913-14	1916-17	1918-19	1920-21	1928-29
Fruits	..	58	70	90	22	15	50
Carpets	..	49	54	13	5	50	159
Cotton	..	74	84	53	4	2	53
Rice	..	35	42	63	7	4	29
Gold and silver							
coins	..	38	17	..	..	..	..
Gums	..	16	13	9	3	7	16
Opium	..	23	38	42	29	..	65
Wool	..	12	12	19	1	..	16
Cocoons	..	18	13	..	..	..	..
Hides	..	..	..	5	..	..	10
Skins	..	16	8	9	2	..	..
Cotton	..	77	2	..	..	..	..
Wheat and barley	..	19	4	..	..	..	..
Fish	..	..	..	10	3	..	..
Petroleum	..	..	..	66	155	234	1038

The figures indicate that during the period of war and the post-war trade slump, closely following upon its heels, there was a substantial decline in the export trade figures of the country. This was mostly due to the exchange fluctuations and the transport difficulties during the period of war. The year 1928-29, however, shows a sharp recovery in trade. Also, the figures for petroleum export disclose a constant progress due to the increased output of oil in the country and the great post-war demand for this vital fluid.

During the period of world economic depression, there was again a set-back in trade, and exports declined to £ 17 million in 1932-33. Thereafter, there was a gradual recovery, till the exports reached their normal level in 1935-37. During all this period, mineral oils maintained their dominant position. Raw wool and cotton exports also increased. All other items more or less retained their old positions. The following figures illustrate the position :—

#### EXPORT TRADE OF IRAN DURING 1934-37

(Million rials)

	1932-33	1934-35	1936-37
Mineral oils .. .. .	1,143	1,397	1,558
Carpets and rugs .. .. .	181	115	150
Fruits, fresh and dried .. .. .	58	62	87
Opium .. .. .	33	12	26
Rice .. .. .	16	25	29
Raw cotton .. .. .	45	95	87
Gum tragacanth .. .. .	15	25	44
Sheep casings .. .. .	15	24	29
Lamb skins .. .. .	28	28	39
Livestock .. .. .	19	17	..
Hides and furs .. .. .	12	17	..

During the period of war the exports of Iran in general rose, specially those of oil, though the exports of food grains, fruits and cotton showed a considerable decline owing to the internal food crisis in the country. The following figures taken from the Statesman's Year Book and A. B. Rajput's "Iran To-day" are illustrative:—

						(In million rials)	
						1941-42	1943-44
Mineral oil	..	..	..	..	..	Not available	3,277
Carpets	..	..	..	..	..	131	165
Fruits	..	..	..	..	..	Not available	122
Wool	..	..	..	..	..	141	27
Cotton	..	..	..	..	..	32	4
Rice	..	..	..	..	..	23	75
Gums	..	..	..	..	..	86	66

### § 3. MAIN SOURCES FOR THE ARTICLES OF IMPORT AND EXPORT IN IRAN

The figures given above for the import and export trade of Iran point only to the relative position of the different articles. They do not disclose the relative importance of countries which feature prominently in Iran's foreign trade. The following figures for the years 1932-36 published by the British Department of Overseas Trade give the position as it existed at the time.

#### CHIEF ARTICLES OF IMPORT AND THEIR MAIN SOURCES

<i>Commodities</i>	<i>Year</i>	<i>Percentage of total imports</i>	<i>Chief sources (Value in million rials)</i>
Cotton piecegoods ..	1932-33	25.6%	U. S. S. R. 71; Japan 33; U. K. 33; Italy 14; British India 13.
	1933-34	20.5%	Japan 65; U.S.S.R. 37; U.K. 24; British India 11; Italy 3.
	1934-35	20.6%	U.S.S.R. 73; Japan 41; U.K. 11; India 5.
	1935-36	20.3%	U.S.S.R. 82; Japan 53; U.K. 15; India 8
Vehicles of all sorts including tyres and other spare parts ..	1932-33	9.2%	U.S.S.R. 45; U.K. 6; France 3; Czechoslovakia 2.

			1933-34	9.6%	U.S.A. 48; U.K. 5; France 3; Czechoslovakia 2.
			1934-35	13.1%	U.S.A. 60; U.K. 9; U.S.S.R. 4; Belgium 3; France 3; Germany 3.
			1935-36	12.6%	U.S.A. 68; U.K. 20; France 6; Germany 3.
Sugar	..	..	1932-33	9.3%	U.S.S.R. 44; Belgium 9; Czechoslovakia 4; France 2.
			1933-34	7.6%	Belgium 21; U.S.S.R. 17; Java 4; Czechoslovakia 4; Egypt 3.
			1934-35	8.0%	U.S.S.R. 29; Belgium 14; Java 44; Egypt 3.
			1935-36	7.8%	U.S.S.R. 58; Egypt 3; Belgium 2.
Machinery and tools etc.			1932-33	7.7%	Sweden 13; Germany 12; U.K. 7; U.S.S.R. 7; U.S.A. 3.
			1933-34	6.8%	Germany 17; Czechoslovakia 1; Sweden 8; U.K. 5; Denmark 1.
			1934-35	7.1%	Czechoslovakia 15; Germany 14; U.K. 9; France 2; U.S.S.R. 2.
			1935-36	10.1%	Germany 30; U.K. 18; Czechoslovakia 11; U.S.A. 5; U.S.S.R. 4; France 4.
Tea	..	..	1932-33	5.3%	British India 29; Ceylon 5.
			1933-34	4.9%	British India 26; Java 4; Ceylon 3.
			1934-35	7.3%	India 37; Java 6; Japan 3; Ceylon 2.
			1935-36	5.2%	India 33; Java 5; Japan 3; Ceylon 1.

CHIEF ARTICLES OF EXPORT AND THEIR  
DESTINATIONS

<i>Commodities</i>	<i>Year</i>	<i>Percentage of total imports</i>	<i>Chief countries of destination (value in million rials)</i>
1. Mineral oils	.. 1932-33	68.0%	U.K. 44; Egypt 240; France 126; Aden 71.
	1933-34	73.5%	U.K. 546; Egypt 221; France 110; Aden 79.
	1934-35	72.3%	U.K. 646; Egypt 281; Italy 89; Aden 82; India 56.
	1935-36	66.3%	U.K. 550; Egypt 235; Aden 95; Union of S. Africa 82; India 68.
2. Woollen carpets	.. 1932-33	10.8%	U.S.A. 73; U.K. 36; Turkey 23; Iraq 17.
	1933-34	7.7%	U.S.A. 60; U.K. 26; Turkey 20; Iraq 9.
	1934-35	5.9%	U.S.A. 44; U.K. 24; Turkey 11; Iraq 9.
	1935-36	6.1%	U.S.A. 48; U.K. 26; Turkey 10; Iraq 8.
3. Raw cotton	.. 1932-33	2.7%	U.S.S.R. 30; Germany 7; British India 5.
	1933-34	4.4%	Germany 38; U.S.S.R. 28; Japan 12; British India 36.
	1934-35	4.9%	U.S.S.R. 74; Germany 12.
	1935-36	3.3%	U.S.S.R. 56; Germany 8.
4. Raw wool	.. 1932-33	1.1%	U.S.S.R. 17; British India 2.
	1933-34	1.2%	U.S.S.R. 20.
	1934-35	1.5%	U.S.S.R. 25.
	1935-36	2.0%	U.S.S.R. 29; Germany 9.
5. Lambskins	.. 1932-33	1.6%	U.K. 15; U.S.S.R. 11.
	1933-34	1.5%	U.K. 17; U.S.S.R. 9.
	1934-35	1.4%	U.S.S.R. 18; U.K. 8.
	1935-36	1.9%	U.S.S.R. 21; U.K. 9.

§ 4. CATEGORIES OF IMPORTS AND EXPORTS

In the above tables, the character of Iran's foreign trade has been indicated in general terms. The following two tables compiled from the Statesman's Year Book 1924 and Department of Overseas Trade Report in Iran for 1935 and 1937, bring out the relative importance of the different articles in the import and export trade of the country specially those of the manufactured articles in relation to raw materials:—

Year 1921-22

Commodities	IMPORTS		EXPORTS	
	Weight in	Value in	Weight in	Value in
	million batmons	million krans	million batmons	million krans
Live animals .. ..	..	6.4	..	2.6
Foodstuffs .. ..	33.6	225.3	20.2	43.4
Raw materials .. ..	19.3	41.9	655.5	368.8
Manufactured articles .. ..	14.2	327.3	1.6	81.6
Precious metals .. ..	..	8.9	..	5.8

11. Year ending June 1921 (value in million rials)

	IMPORTS				EXPORTS			
	1932-33	1933-34	1934-35	1935-36	1932-33	1933-34	1934-35	1935-36
Live animals ..	0.6	0.5	1	0.7	1.9	7.7	17	23
Food & drinks ..	105	96	108	121	104	81	109	152
Raw materials ..	72	60	91	151	1348	1566	25	286
Made-up goods ..	480	537	404	530	203	161	130	134
Bullion and specie	0.4	4	45	0.9	1.1	1.0	0.6	5



## § 5. PARTICIPANTS IN IRAN'S FOREIGN TRADE

*Imports.* Before the first World War (1914-18), Russia was the most important participant in Iran's foreign trade. Great Britain and the British Empire including India were second in importance, while Turkey, Germany, France etc., were further down in the list. The position in 1911-13 was somewhat as follows:—

## IMPORTS IN IRAN

							(£ million)	
							1911-12	1912-13
Russia .. .. .	..	..	..	..	..	..	5.36	6.58
British Empire	..	..	..	..	..	..	4.41	3.06
Turkey .. .. .	..	..	..	..	..	..	.43	.47
Germany .. .. .	..	..	..	..	..	..	.33	.43
France and Colonies	..	..	..	..	..	..	.23	.22
Belgium .. .. .	..	..	..	..	..	..	.20	.18
Austria-Hungary	..	..	..	..	..	..	.18	1.16
Afghanistan .. ..	..	..	..	..	..	..	.11	.087

In 1911-12, of the total imports, the shares of Russia and the British Empire worked out to be 47.3 and 38.6 per cent. thus making a total of about 86 per cent. In 1912-13 the percentages were 58.8 and 26.9 respectively, making a total of 86 per cent as before. The overwhelming position of these two sources as suppliers of Iran's imports is very significant.

During and after the war, because of the collapse of her economic life following the Bolshevik Revolution, Russia slid down in the list of customers of Iran's foreign trade. Nor could she send any supplies to Iran. British Empire (India and U. K.), therefore, at this stage came forward to capture the market. Three-fourths of the Iranian imports during this period came from this source. The position during the years 1913-20 was as follows:—

## IMPORTS IN IRAN FROM DIFFERENT COUNTRIES

(£ million)

			1913-14	1915-16	1917-18	1919-20
British Empire	..	..	3.2	2.8	10.4	18.0
Russia	..	..	6.5	4.4	3.6	3.4
Turkey	..	..	.4	.2	.2	.7
Germany	..	..	.6	.0	.0	.0
Belgium	..	..	.3	.0	.0	.0
France and Colonies		..	.4	.0	.4	.1
Afghanistan	..	..	.1	.1	.3	.2
China	..	..	.0	.1	.0	.2
Egypt	..	..	.0	.0	.4	1.5
Netherlands	..	..	.0	.0	.3	.0
Oman	..	..	.0	.0	.2	.2
U. S. A.	..	..	.0	.1	.0	.3
Italy	..	..	.1	.2	.0	.2
Japan	..	..	.0	.0	.0	.2

In the post-war decade, the same tendency continued and Russia came further down the list.

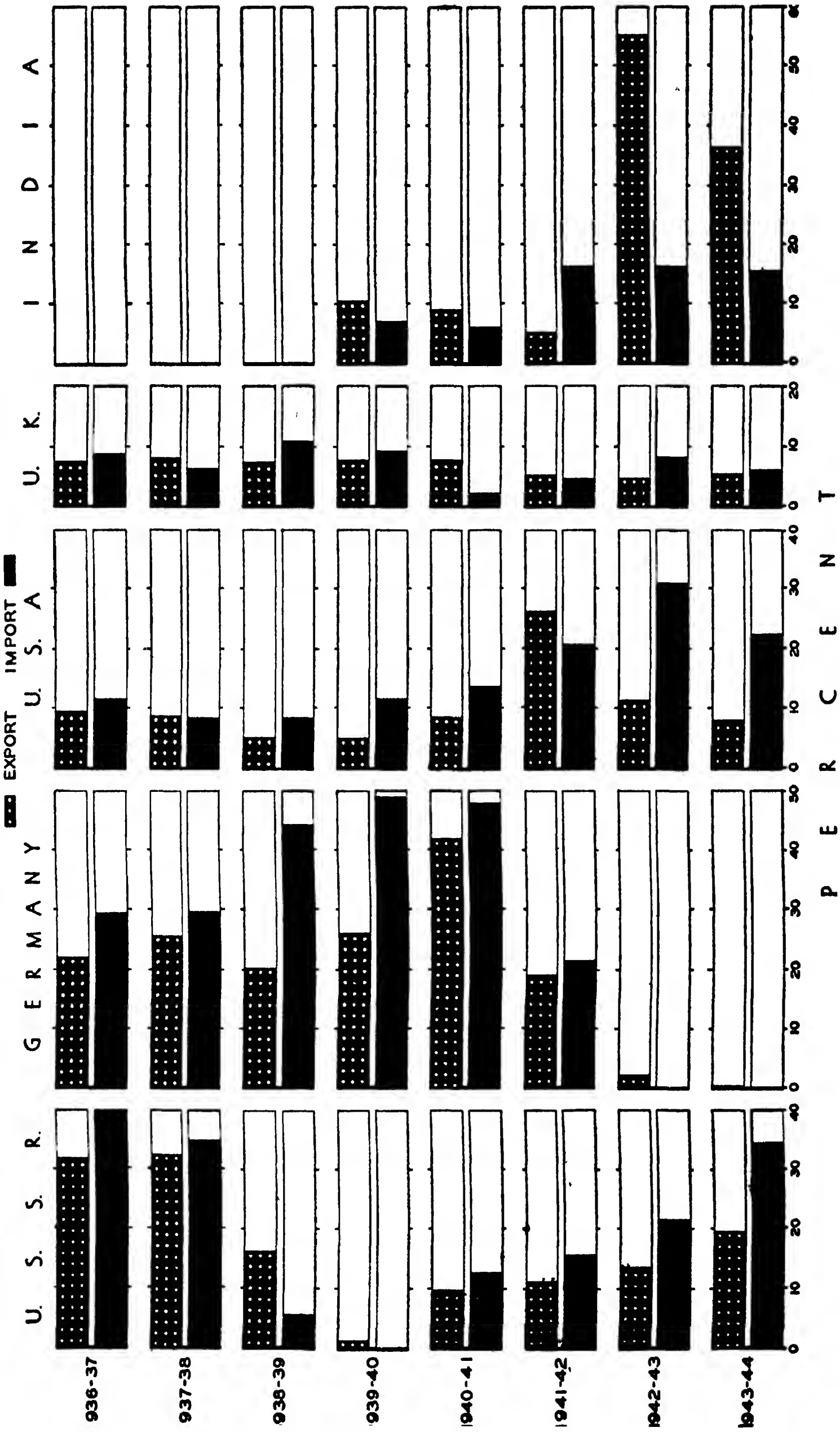
## COMMERCIAL IMPORTS IN IRAN

million)

						1920-21	1921-22
British Empire	..	..	..	..	..	10.76	8.2
Egypt	..	..	..	..	..	.93	.33
Russia	..	..	..	..	..	.59	.77
Belgium	..	..	..	..	..	.49	.52
Netherlands	..	..	..	..	..	.31	.23
Turkey	..	..	..	..	..	.76	.11
Oman	..	..	..	..	..	.11	.09
Mesopotamia	..	..	..	..	..	.20	.16
France and Colonies	..	..	..	..	..	.10	.18
U. S. A.	..	..	..	..	..	.15	.10
Afghanistan	..	..	..	..	..	.14	.05

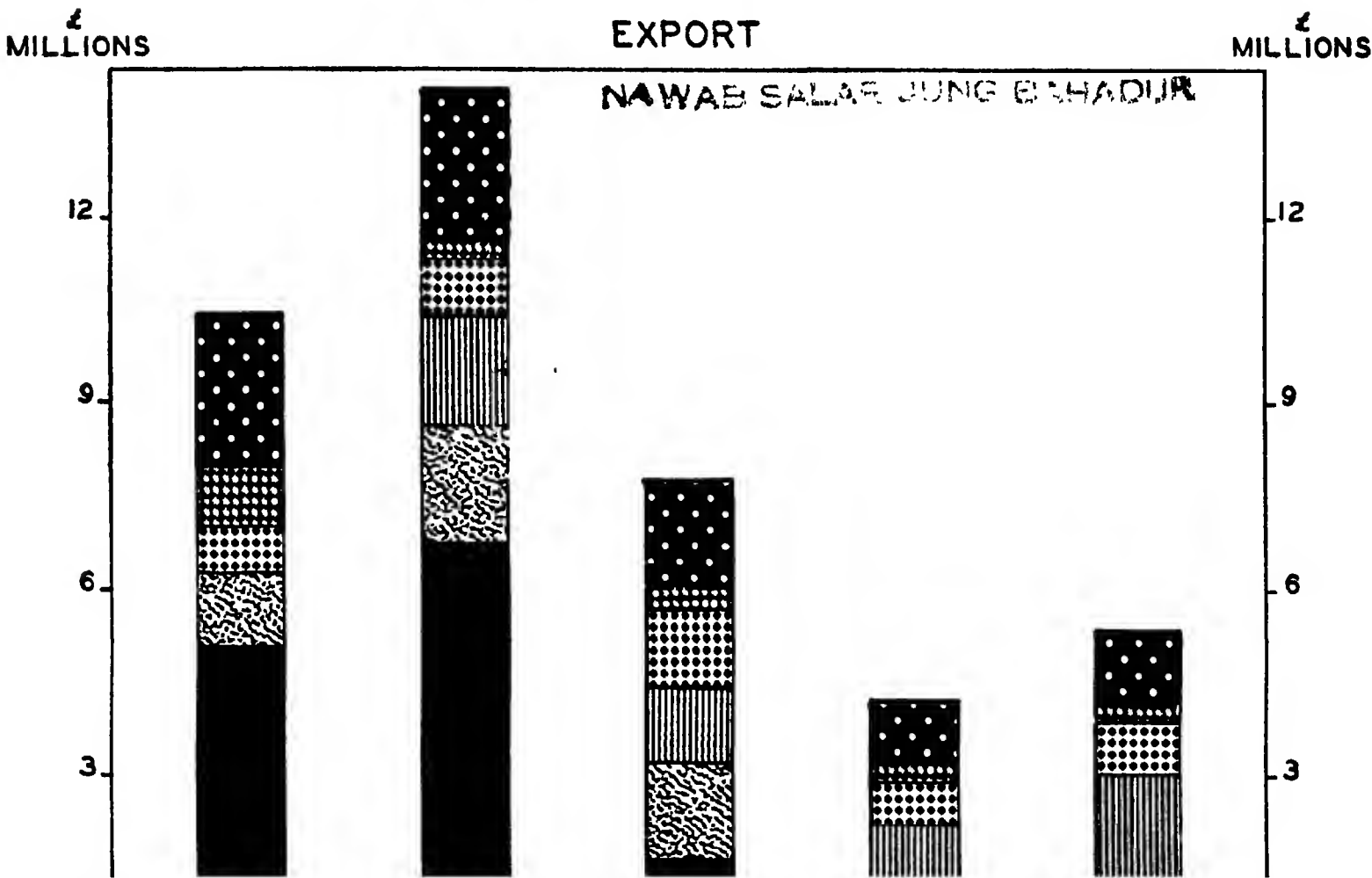
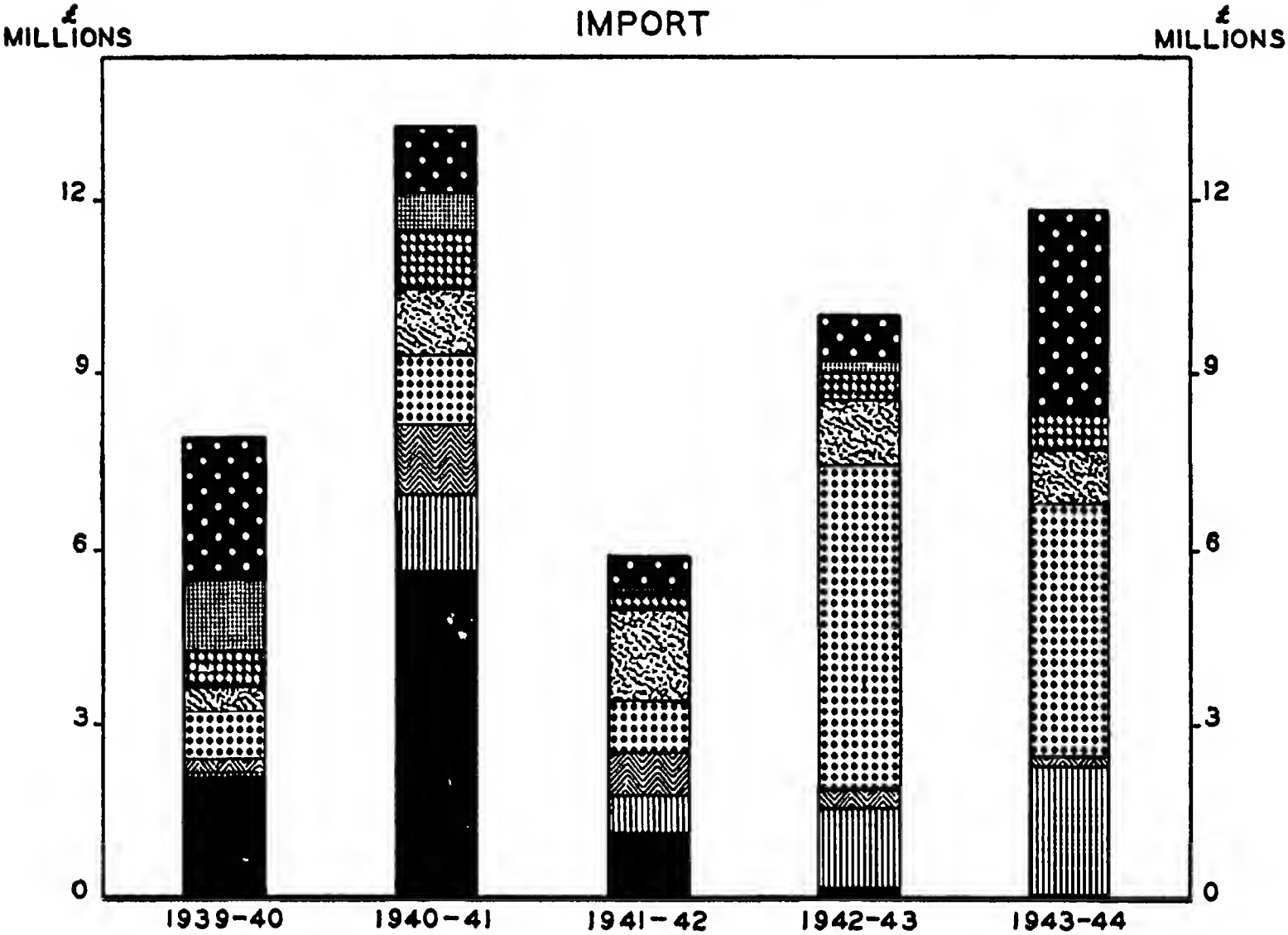
Till the world economic depression, the relative positions of the different countries did not change substantially, except that Russia began to gain ground at the expense of the British Empire.

# PERCENTAGE SHARES OF DIFFERENT COUNTRIES IN THE FOREIGN TRADE OF IRAN



# SHARES OF DIFFERENT COUNTRIES IN THE IMPORT & EXPORT TRADE OF IRAN

[dots] OTHER COUNTRIES.    [cross-hatch] U. K.    [horizontal lines] INDIA.    [vertical lines] U. S. S. R.  
 [wavy lines] U. S. A.    [solid black] GERMANY.    [grid] JAPAN.    [diagonal lines] N. EAST INDIES.



## COMMERCIAL IMPORTS IN IRAN

(Million krans)

	1927-28	1928-29	1929-30
British Empire .. .. .	400.0	315.2	356.4
Russia .. .. .	209.2	291.1	274.7
France .. .. .	33.8	39.8	61.4
Italy .. .. .	32.4	20.8	21.1
Germany .. .. .	32.2	47.2	60.1
U. S. A. .. .. .	25.0	39.2	72.7
Belgium .. .. .	22.0	28.9	41.6

During and after the world economic depression, imports dwindled and the relative positions of the different countries also changed. In the first place, the U. S. S. R. came to the head of the list. Secondly, Japan began to gain ground, and thirdly, Germany and the U. S. A. now became important suppliers—not standing very much below U. K.—and in 1936-37 and 1937-38 both actually surpassed U. K. in the value of their exports to Iran.

## IMPORTS IN IRAN

(Million rials)

	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38
Soviet Union ..	207.9	147.7	193.0	241.1	277.9	315.4
U. K. ..	104.3	280.8	94.8	84.9	65.9	79.4
U. S. A. ..	54.3	58.3	66.6	83.2	81.5	83.0
British India..	69.0	61.4	55.9	56.5	89.5	74.2
Germany ..	55.3	70.0	59.3	119.1	190.4	247.2
Japan ..	52.3	82.2	54.8	78.3	33.6	33.2
France ..	19.2	26.1	19.4	40.6	..	..
Sweden ..	19.7	9.3	14.4	10.0	..	..
Italy ..	20.0	9.6	..	..	..	..
Belgium ..	21.5	31.5	28.8	23.3	..	..
Czechoslovakia ..	10.9	32.4	32.5	19.6	..	..

From the outbreak of war upto the time of the Allied occupation of Iran in August 1941, German trade with Iran remained on a high level. It, however, declined very much in 1941-42 and came to an end with the Allied occupation of Iran in August 1941.

Trade between Iran and the U. S. S. R. was generally lower in value during the war than before it. This was true also of the "commercial" trade between Iran and U. K. though, as regards trade not recorded in the Iranian statistics as "commercial" the value of oil shipped to U. K. by the Anglo-Iranian Oil Company increased and there were large duty-free imports from U. K. of machinery, etc., required in connection with the extensions of the Company's plant.

Iran's trade with the U. S. A. and India increased during the war: India, indeed, supplied more than 55% of Iran's "commercial imports" in 1942-43.

The following table taken from His Majesty's Stationery Office publication "Review of Commercial Conditions in Iran" (April 1945), gives in respect of 1939-40 and subsequent years the value of Iran's commercial imports (with principal sources of supply) for the period 1939-43 (year ending 22nd March):—

#### COMMERCIAL IMPORTS IN IRAN

(Value in £1000)

	1939-40	1940-41	1941-42	1942-43	1943-44
Germany ..	2,068	5,646	1,129	211	35
U. S. S. R. ..	93	1,276	657	1,371	2,289
Netherlands East Indies	235	1,208	733	335	182
India .. ..	840	1,192	900	5,542	4,323
U. S. A. .	392	1,105	1,546	1,116	930
U. K. ..	611	1,021	304	454	624
Japan ..	1,242	659	116	232	79
Iraq ..	12	14	11	479	1,205
<b>TOTAL ..</b>	<b>7,930</b>	<b>13,177</b>	<b>5,914</b>	<b>10,049</b>	<b>11,839</b>

#### *Exports*

Before and during the first World War the distribution of Iran's exports by countries presented the same aspect as that of her imports, namely the overwhelming predominance of Russia and next to it of the British Empire, except that during 1918-20 Egypt took a very large share of Iran's exports. Egypt actually headed the list in 1919-20.

## EXPORTS FROM IRAN

(£ million)

	1911-12	1913-14	1915-16	1917-18	1919-20
Russia .. ..	5.69	5.49	4.45	5.40	3.01
British Empire ..	1.11	1.04	1.27	3.69	3.26
Turkey .. ..	.79	1.67	.15	.56	2.06
Egypt .. ..	..	.09	.13	.98	5.03
U. S. A. .. ..	.13	.19	.14	.24	.52
Italy .. ..	.21	.19	.02	..	..
Oman .. ..	.12	.13	.07	.33	.37
Japan .. ..	..	..	..	..	.25

In the early years of the post-war decade, when Russia almost went out of the picture, Iran's exports found some very good new markets in Egypt, Turkey, Mesopotamia and so on. Her exports during this period were more evenly distributed than her imports. The British Empire, during this period, was second to Egypt as an export market.

## EXPORTS FROM IRAN

(£1,000) (£1,000)

	1920-21	1921-22
Egypt .. ..	4,459	3,763
British Empire ..	3,136	0,021
Turkey .. ..	2,668	200
Mesopotamia ..	1,354	837
Russia .. ..	233	500
U. S. A. .. ..	672	557
Netherlands ..	347	26
Oman .. ..	190	151

In the later years of the post-war decade, Russia recouped her position, Egypt lost it, while France and the U. S. A. improved theirs.

## EXPORTS FROM IRAN

(Million krans)

					1927-28	1928-29	1929-30
British Empire	..	..	..	..	445	537	764
Russia ..	..	..	..	..	199	166	149
France	..	..	..	..	86	80	118
U. S. A.	..	..	..	..	81	81	87
Turkey	..	..	..	..	38	39	28
Japan ..	..	..	..	..	38	18	4.9
Germany	..	..	..	..	34	42	60

During the world economic depression and after, the most important countries taking Iran's exports were the U. K., U. S. S. R., U. S. A., British India, France, Egypt and Germany. Upto 1935-36 U. K. was the biggest export market, which place was then taken over by the U. S. S. R., British India, France and Egypt also lost their position in later years, while Germany and U. S. A. improved theirs.

## EXPORTS FROM IRAN

(Million rials)

		1932-33	1933-34	1934-35	1935-36	1936-37	1937-38
U. S. S. R.	..	126.5	104.4	223.7	199.5	269.8	235.6
U. K.	..	514.3	602.5	696.5	682.8	60.3	42.0
U. S. A.	..	83.6	77.3	59.0	59.2	77.3	55.1
British India	..	97.5	105.6	107.1	122.9	26.1	31.4
Germany	..	80.7	109.9	59.7	93.6	137.6	198.9
France	..	132.2	116.9	43.6	28.1	..	..
Egypt	..	253.4	224.1	182.8	239.5	..	..

During the period of war, in the initial stages, Germany occupied an important place in the export markets of Iran. But after August 1941, when she was forced out of the Iranian market, U. S. A., Russia and India came to occupy important positions in the export markets.

The following figures taken from "Review of Commercial Conditions in Iran" (1945) are illustrative:—



## COMMERCIAL EXPORTS FROM IRAN

(Value in £1,000's)

*(Year ending 22nd March)*

			1939-40	1940-41	1941-42	1942-43	1943-44
Germany	..	..	5,095	6,747	1,668	..	..
U. S. A.	..	..	1,203	1,922	1,609	1,319	1,221
U. S. S. R.	..	..	4	1,784	1,207	916	1,889
India	..	..	735	871	1,283	695	840
Iraq	..	..	467	626	600	440	322
England	..	..	966	320	360	349	322
TOTAL			10,413	14,095	7,823	4,266	5,457

Iran's trade balance on "commercial" imports and exports, which was adverse before the year 1919, was converted during the early part of the war into a favourable balance. But in 1942-43 and 1943-44 again, the balance became adverse.

The following table taken from "Review of Commercial Conditions in Iran" discloses the percentage share of each country in the import and export trade of Iran, for the years 1936-37 to 1943-44. (The years 1936-37 to 1938 relate to the period 22nd June, 1936 to 21st June, 1938. The figures for later years are for the period 22nd March, 1939 to 21st March, 1944. The figures for the year 1938-39 are only for 9 months—21st June, 1938 to 21st March, 1939).

TOTAL TRADE WHETHER IMPORT OR EXPORT=100

130

PERIOD	U. S. S. R.		GERMANY		U. S. A.		U. K.		INDIA	
	Export		Import		Export		Import		Export	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
1936-37 ..	32.09	39.84	21.99	29.32	9.41	11.41	7.60	8.90	..	..
1937-38 ..	32.51	35.01	25.49	29.63	8.56	8.22	8.18	6.25	..	..
1938-39 ..	16.00	5.54	20.25	44.37	5.00	8.28	7.63	10.93	..	..
1939-40 ..	1.17	.04	26.08	48.93	4.94	11.55	7.70	9.28	10.59	7.06
1940-41 ..	9.69	12.73	42.09	47.87	8.39	13.64	7.75	2.27	9.05	6.18
1941-42 ..	11.11	15.43	19.09	21.42	26.14	20.57	5.14	4.60	5.22	16.40
1942-43 ..	13.64	21.47	2.10	..	11.11	30.92	4.52	8.18	55.15	16.29
1943-44 ..	19.33	34.62	.29	..	7.86	22.37	5.27	5.90	36.51	15.39

IRAN

The account relating to the foreign trade of Iran, given above, gives us a picture of the “commercial” imports and exports only. To enable an appreciation of the “non-commercial” imports and exports and their comparison with “commercial” trade figures, the following statistics taken from the same source will be found useful:—

## NON-COMMERCIAL IMPORTS IN IRAN

(Value in £1,000's)

(Year ending 22nd March)

<i>Imports</i>	1939-40	40-41	41-42	42-43	33-44
Anglo-Iranian Oil Co. (from various countries) .. ..	5,507	1,932	1,582	8262	2,722
Others (Societe Mahi-i-Iran, Government Depts., Banks, etc.)	423	419	126		63
<b>Total non-commercial imports ..</b>	<b>5,930</b>	<b>2,351</b>	<b>1,708</b>	<b>8,262</b>	<b>2,785</b>
<i>Exports</i>					
Anglo-Iranian Oil Co. (to various countries) .. ..	21,762	20,012	9,744	26,636	25,407
Exports of Societe Mahi-i-Iran	236	221	132	96	39
<b>Total non-commercial exports ..</b>	<b>21,998</b>	<b>20,233</b>	<b>9,876</b>	<b>26,732</b>	<b>25,446</b>
<b>Non-commercial balance of trade ..</b>	<b>16,068</b>	<b>17,882</b>	<b>8,168</b>	<b>18,470</b>	<b>22,661</b>

It would appear from a careful analysis of the above figures that “non-commercial” trade occupies quite a prominent place in Iran’s foreign trade, specially on the export side. The exports of Iran, on the “non-commercial” account far outweigh the exports on “commercial” account, and it is they, in fact, which really accord to

Iran the splendid favourable balance of trade which she enjoys, year after year.

## § 6. TRADE CENTRES AND PORTS OF IRAN

*Centres of Commerce.* The most important centres of commerce in Iran are:

- (1) Tabriz in the North-West.
- (2) Teheran in the North.
- (3) Hamadan in the East.
- (4) Meshed in the North-East.
- (5) Isfahan in Central Iran.

*Ports.* The following are the most important ports on the Persian Gulf:

- (1) Bandar Abbas.
- (2) Bushire
- (3) Bandar Shahpur.
- (4) Khorram Shahr.

The following are the important ports on the Caspian sea :

- (1) Astara.
- (2) Pahlavi (formerly Enzeli).
- (3) Babal Sar.
- (4) Bandar Guez.
- (5) Bandar Shah.

Commodities from these ports are carried by motor or rail-roads to the important centres of commerce.

*Frontier Trade Centres.* Besides the seaports, the following frontier trade stations are also worth noting:

- (1) Julfa on the Russian frontier.
- (2) Qasr-i-Shirin on the Iraq frontier.
- (3) Duzdap on the Baluchistan (British India) frontier.

## § 7. TRADE ROUTES OF IRAN

The more important routes that carried Iran's foreign trade before the first Great War were the following:—

1. TO RUSSIA (*a*) through Trebizond; (*b*) through Resht; (*c*) through Meshed.

2. TO AFGHANISTAN AND INDIA (*a*) through Khurasan; (*b*) through Sesitan.

3. TO BAGHDAD (IRAQ) through Kermanshah.

Since the Russian trade was the most important at that time, the three northern routes were better constructed, and more easily accessible. The southern routes, on the contrary, which met the needs of the Anglo-Iranian and Indo-Iranian trades lacked all these advantages. They were also very unsafe because of the disturbed political conditions in the country and weak Central Government.

At the end of the first Great War, the Russo-Iranian trade was at a standstill and was not fully restored before the thirties. During this period, the more important routes were:—

1. Kermanshah-Baghdad-Basra route. This replaced the Enzeli route in the north, which formerly carried most of the trade.
2. Isfahan Shiraz-Bushire route.
3. Meshed Selstan-Duzdap route.
4. The Kasun River Trade route.
5. Kerman-Bander Abbas route.

These routes, all in the south and west, indicate complete change of direction in Iran's foreign trade in the post-1918 period. The British Empire's share of Iranian trade at this time grew to be 60% of the total. This period also marks the severest crisis in Iran's export trade. During this period, only the more valuable articles in small bulk like opium, carpets and silk could be transported from the northern and better developed parts of Iran over the long and tedious caravan routes of the Iranian plateau. In the thirties, however, with the resumption and rapid growth of the Russo-Iranian trade, the northern trade routes again came into importance, and continue to be so till the present day.

### § 8. INDIA'S TRADE WITH IRAN

India enjoys an important place in the foreign trade of Iran. Even in times long gone by, these trading relations between the two countries were sufficiently developed. India exported to Iran and through that country to European markets manufactured goods like linens, calicos, muslins, jewels, embroideries, ivory goods, woollen and silken manufactures etc. Most of this foreign trade was controlled by Arab and Iranian traders.

Even in modern times, the trade between the two neighbouring countries is sufficiently developed. During the period of the last war it has received a further fillip. Prior to the second World War, India occupied the fifth place in the foreign trade of Iran, to-day she is the chief supplier of Iran's commercial imports.<sup>14</sup> Amongst the main articles which India exports to Iran are sugar, tea, coffee, rice, cotton piecegoods, woollen and jute manufactures, glassware, aluminium articles, chemicals, timber, furniture and building materials. As against these exports, India imports from Iran wool and hair, dyeing and tanning substances, drugs (asafoetida), fish, almonds, currants and raisins, dates, gums and resins, hides and skins, perfumes, carpets and mineral oils. In the year 1938-39, before the outbreak of the last World War, the imports of Iranian goods into India amounted to Rs. 3,48 lakhs. In the very first year of the war, they received a slight setback and shrunk to Rs. 3,12 lakhs, but then they increased to Rs. 6,03 lakhs in 1940-41, Rs. 17,80 lakhs in 1941-42, Rs. 17,74 lakhs in 1942-43, Rs. 27,48 lakhs in 1943-44 and Rs. 49,32 lakhs in 1944-45.<sup>15</sup> The most important reason for the increase in these imports was the heavy import of oil from Iran, which rose from Rs. 2,88 lakhs in 1939-40 to 3,08 lakhs in 1940-41, 5,45 lakhs in 1941-42, 16,93 lakhs in 1942-43, Rs. 26,34 lakhs in 1943-44 and

<sup>14</sup> A. B. Rajput : Iran Today, p. 92.

<sup>15</sup> Review of the Trade of India.

Rs. 40,70 lakhs in 1944-45.<sup>16</sup> As against these imports, Indian exports to Iran amounted to Rs. 78,41 lakhs in 1938-39, 79,55 lakhs in 1939-40, 57,15 lakhs in 1940-41, 133,95 lakhs in 1941-42, 426,57 lakhs in 1942-43, 1,71 lakhs in 1943-44 and 2,74 lakhs in 1944-45. The main reason for the increase in these exports during the war period (except during the last two years when the exports of piecegoods were almost stopped) was the heavy export of piecegoods, sugar and food-stuffs from India into Iran.

The following figures about the import and export trade of India with Iran for the years 1938-39, 1939-40 and 1940-41 (the latest years for which detailed figures are available) will throw some light on the character of this trade:—

EXPORTS FROM INDIA TO IRAN IN THE  
YEARS 1938-39, 39-40 and 1940-41

(Value in Rs.)

<i>Commodity</i>	1938-39	1939-40	1940-41
Apparel .. ..	8,235	11,810	5,972
Chemicals .. ..	82,079	41,284	42,344
Building material .. ..	3,434	1,14,844	6,79,406
Medicines .. ..	22,407	16,415	19,704
Dyeing & tanning material:	1,17,951	3,96,203	4,44,643
Fruits & vegetables ..	37,341	28,348	8,667
Furniture .. ..	1,96,384	2,17,160	137
Grain & pulse .. ..	32,994	37,545	33,606
Metals & ores .. ..	61,714	1,11,617	5,78,072
Spices .. ..	87,706	36,629	26,157
Tea .. ..	46,83,770	57,87,798	11,67,976
Cotton manufactures ..	2,71,601	27,414	33,903
Jute manufactures .. ..	3,19,259	1,80,232	97,832
Wool manufactures .. ..	991	11,655	2,985
Wood & timber .. ..	10,77,431	3,58,415	14,957
<b>TOTAL ..</b>	<b>78,40,831</b>	<b>79,55,250</b>	<b>57,15,116</b>

<sup>16</sup> Annual Account Relating to the Sea-Borne Trade of British India for 1943-44, p. 301.

IMPORTS FROM IRAN TO INDIA FOR THE  
YEARS 1938-39, 39-40 and 40-41

				(Value in Rs.)		
				1938-39	1939-40	1940-41
Drugs (asafoetida) .. ..	..	..	..	1,89,174	1,95,275	1,37,827
Dyeing & tanning substances .. ..	..	..	..	16,808	26,280	1,745
Fish .. ..	..	..	..	11,734	3,412	13,289
Almonds .. ..	..	..	..	1,99,370	1,66,635	1,41,060
Currents & raisins .. ..	..	..	..	94,634	1,18,822	99,047
Dates .. ..	..	..	..	94,349	1,50,834	3,57,593
Other dry fruits .. ..	..	..	..	24,706	30,234	52,177
Gums & resins .. ..	..	..	..	1,69,491	1,52,228	1,74,019
Hair manufactures .. ..	..	..	..	74,092	1,70,409	1,15,865
Hides & skins .. ..	..	..	..	15,055	1,00,919	23,859
Metals .. ..	..	..	..	14,960	47,395	1,128
Mineral oils .. ..	..	..	..	3 35,54,765	2,88,95,756	3,08,50,330
Paints & colour .. ..	..	..	..	26,918	20,117	22,615
Perfumes .. ..	..	..	..	68,832	62,462	75,328
Seeds .. ..	..	..	..	2,15,600	4,38,473	1,04,276
Cotton & wool raw .. ..	..	..	..	360	46,317	4,017
Carpets .. ..	..	..	..	8,225	98,327	2,013,437
TOTAL ..				3,48,24,208	3,12,04,711	3,40,45,638

Besides sea-borne trade, figures for which are given above, India also enjoys trade relations with Iran through the land frontier route, *viz*; British Baluchistan (Nokkundi). In the year 1941-42, the total value of this trade amounted to Rs. 198 lakhs, (Rs. 134 lakhs imports and 6,431 lakhs exports). Amongst imports, the main item were fruits, nuts and vegetables Rs. 53 lakhs, woollen carpets and rugs Rs. 20 lakhs, spices Rs. 17 lakhs, and skins and furs Rs. 13 lakhs. As against these imports, the main articles of export were wheat Rs. 6 lakhs, tea Rs. 26 lakhs, cement Rs. 2 lakhs, jute Rs. 4 lakhs, sugar Rs. 9 lakhs and other articles of merchandise Rs. 13 lakhs.

These figures show that Indian goods have quite a favourable market in Iran. With the end of the war in Europe and Asia, Germany and Japan which came to occupy quite an important place in Iran's foreign trade



just before the last World War, have been eliminated from the Iranian market. The void created by these countries can be filled by India—Iran's neighbour. Russia, owing to the colossal destruction of her industrial mite during the war years would not be in a position to regain her leading position in Iran's foreign trade, at least for some years to come. Till then at least India can occupy the topmost position in Iran's foreign trade. Already her share of this trade exceeds that of any other country. With the rapid industrialisation of India in the years to come, following the adoption of the various post-war reconstruction schemes in the different provinces India would be in a position to occupy a still better place in the foreign trade of Iran. Already, there is a very great demand for Indian piecegoods in the Iranian markets, specially the demand for sheeting, grey muls, grey voils, grey fancy goods, dyed poplins and white shirting is very keen. The things in demand are exactly of the same standard and quality as those used in India. The future is, therefore, full of very bright prospects.

## CHAPTER VII

### MEANS OF TRANSPORT AND COMMUNICATIONS IN IRAN

Until five decades ago Iran had an extremely primitive system of transport and communications. Slow moving camel or mule caravans which could not cover more than 20 or 25 miles a day over rough tracts were the fashion of the time. A beginning had, however, been made in the matter of the development of modern means of transport in the beginning of the present century, and by the year 1921, the country had about 2000 miles of metalled and unmetalled roads, 75 miles of railway from Julfa on the Russian frontier to Tabriz, with a 25-mile branch to Sharifkhana on Lake Razaiye, 52 miles of standard guage extension of the Indian North Western Railway from Nok-Kundi to Zahedan (over which no trains ran from 1931 to the end of war), and three local lines from Teheran to the Shrine of Shah Abdul Azim ( $5\frac{1}{2}$  miles), Resht to Pir-e-Bazar (7 miles), and the Anglo-Iranian Oil Company's narrow gauge line from Dare-Khazine to Masjid-e-Sulaiman (43 miles).<sup>1</sup>

In the matter of posts and telegraphs, until the year 1901, the primitive system of 'farming out' services to private individuals held sway, and it was not before 1906 that the postal administration was entrusted to the Ministry of Posts and Telegraphs. Even to-day, the telephone system is controlled by a private Iranian Company, the 'Societe Generale Anonyme Iraniaenne des Telephones.'<sup>2</sup>

There has been, however, since 1925 a systematic attempt to improve the transport and communications

<sup>1</sup> E. Sutton: *Modern Iran*, p. 90.

<sup>2</sup> *Statesman's Year Book*, 1944, p. 1181.



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system of Iran. A separate Ministry of Transport has since been constituted which is responsible for the development of roads, railways, ports and harbours. The country now possesses sufficient facilities to enable travellers from Europe and Asia to visit the land. A traveller from Europe might alight at Mosul and take the famous road through the Rowanduz Gorge to Tabriz; or he may go on to Baghdad, and travel thence by car to Kermanshah. A traveller from Turkey may use the Turkish road from Trabizon to Tabriz. If, however, he wants to visit the south, he may take the Iraqi railway to Basra, cross the Shatt-el-Arab by launch, and take a taxi to the port and frontier town of Khorramshahr. A traveller from India can enter Iran from Baluchistan by train to Zahedan and thence by road to Teheran *via* Kerman and Meshed. From the Persian Gulf, a man can land at Bushire or Bandar Shahpur and from the former go to Teheran by road *via* Shiraz and Isfahan, and from the latter, by the Trans-Iranian Railway. From Baku a traveller can land at Pahelvi and proceed to Teheran by road and from Krashovodsk (Russia) land at Bandar Shah and take the train to Teheran.

## § I. ROADS

### *Development of Roads*

Before the year 1926, various tolls and municipal taxes were levied on merchandise in transport, and supposedly spent on roads; but in that year, these various taxes were replaced by a compounded road tax leviable at the frontier, and estimated to produce about £200,000 a year.<sup>3</sup> With the help of this money and some Russian refugee engineers, the Iranian Government, by the end of the year 1933, succeeded in increasing the mileage of metalled roads to 2,195 and of unmetalled to 9,556 kilometers. A sum of £ 240,000 was allocated annually for new construction, and £ 200,000 for road maintenance.<sup>4</sup>

<sup>3</sup> Wilson, p. 107.

<sup>4</sup> Ibid.

Amongst the new roads that were constructed thereafter are the following:—

1. Dizful-Khurramabad-Burujird road (1928).<sup>5</sup>
2. Bandar Abbas-Saidabad-Kerman road (1930).
3. Ahwaz-Shiraz road }
4. Isfahan-Shiraz road   1937<sup>6</sup>
5. Bushire-Ligah road }
6. Sharud-Gorgan road<sup>7</sup> (1939).

The new regime of Reza Shah Pahalevi began road repair and construction work with national rather than international interests in mind, the general aim being to reduce Iran's dependence on foreign communications, for her trade relations with Europe.

Several roads now run from Teheran to points on the Caspian Sea, including a spectacular one through the Chalus Pass 9,384 feet above sea level.<sup>8</sup> A tunnel of about 1850 metres has now (1943) been pierced through the top of the Khandovan Pass on the Chalus road, bringing the highest altitude of the road down from 3,006 metres to 2,600 metres or about 8,500 feet, and reducing the length of the road by about 10 miles.<sup>9</sup> Other motor roads that lead from this city are to Tabriz, a key town in the north-west; to Resht and Bandar Shah on the Caspian Sea; to Meshed—the centre of the North East Russian Railway, running between Krasnovodsk and Bukhara; to Kerman; and to Persian Gulf port of Bushire. There are also roads in Iran that link Erak with Ahwaz, Meshed with Zahedan, the terminus of the Indian railway from Quetta, and Shiraz with Kerman, while Tabriz is now connected with Mosul in Iraq and Trabizon in Turkey.<sup>10</sup> The Teheran-Isfahan-Bushire road and the

<sup>5</sup> Ibid.

<sup>6</sup> Department of Overseas Trade Report, 1937, p. 26.

<sup>7</sup> E. Sutton, p. 88.

<sup>8</sup> Ibid., p. 88.

<sup>9</sup> Statesman's Year Book, 1944, p. 1180.

<sup>10</sup> E. Sutton, p.



One of the oldest roads in Iran built by Shah Abbas to connect Mazandaran with Qum and Isfahan





**NAWAB SALAR JUNG BAHADUR**  
**The Old Shah Abbas bridge across Rud-i-Shur. Parts of the bridge are**  
**still in surprisingly good condition**



Isfahan-Kerman-Bandar Abbas route are also now greatly improved and can be used in all weathers. In addition, there are numerous cross-country roads, totalling altogether over 15,000 miles. Many of these pass over very mountainous country, and about 5,000 bridges have been constructed on them; others run over the flat deserts, and often are not much more than smoothed-out tracks, impassable during wet weather, but hard and firm in summer. Construction is still going on steadily, the aim being to build about 1000 miles of road annually. All the roads are marked by kilometre posts, throughout their length, and are fully sign-posted. They are well maintained, and except in winter, when sometimes they are blocked by snow, or in spring, when they are washed out by floods, they provide commendable service.

### *Government Control Over Road Transport*

Most of the goods and passenger traffic in Iran is carried by lorries, whose number is increasing year by year. In 1925, the number of all kinds of motor vehicles was 632; by 1928, it had increased to 3,152 and by 1942 to 25,000. About 12,000,000 passengers are estimated to travel annually in these vehicles.<sup>11</sup> The Government maintains a strict control over them. All vehicles are licensed, and lorries have to take certificates of road-worthiness before setting out on a journey, and there are severe penalties for road accidents, even death penalty in some cases. The Government also lays down regulations for the control of traffic, repair shops, transport offices, public garages, fire extinguishers etc., and in January 1936, it fixed the maximum rates to be charged from passengers.<sup>12</sup>

### *Progress During War*

During the second World War, Iran served as the life-line for the supplies of essential war material to Russia,

<sup>11</sup> Ibid., p. 89.

<sup>12</sup> Department of Overseas Trade Report, 1937, p. 96.

War transport position in 1941, though better than in the twenties, was still quite inadequate for bearing the strain of a war economy. To cope with the increased mass of traffic, therefore, steps were taken to widen the following roads.<sup>13</sup>

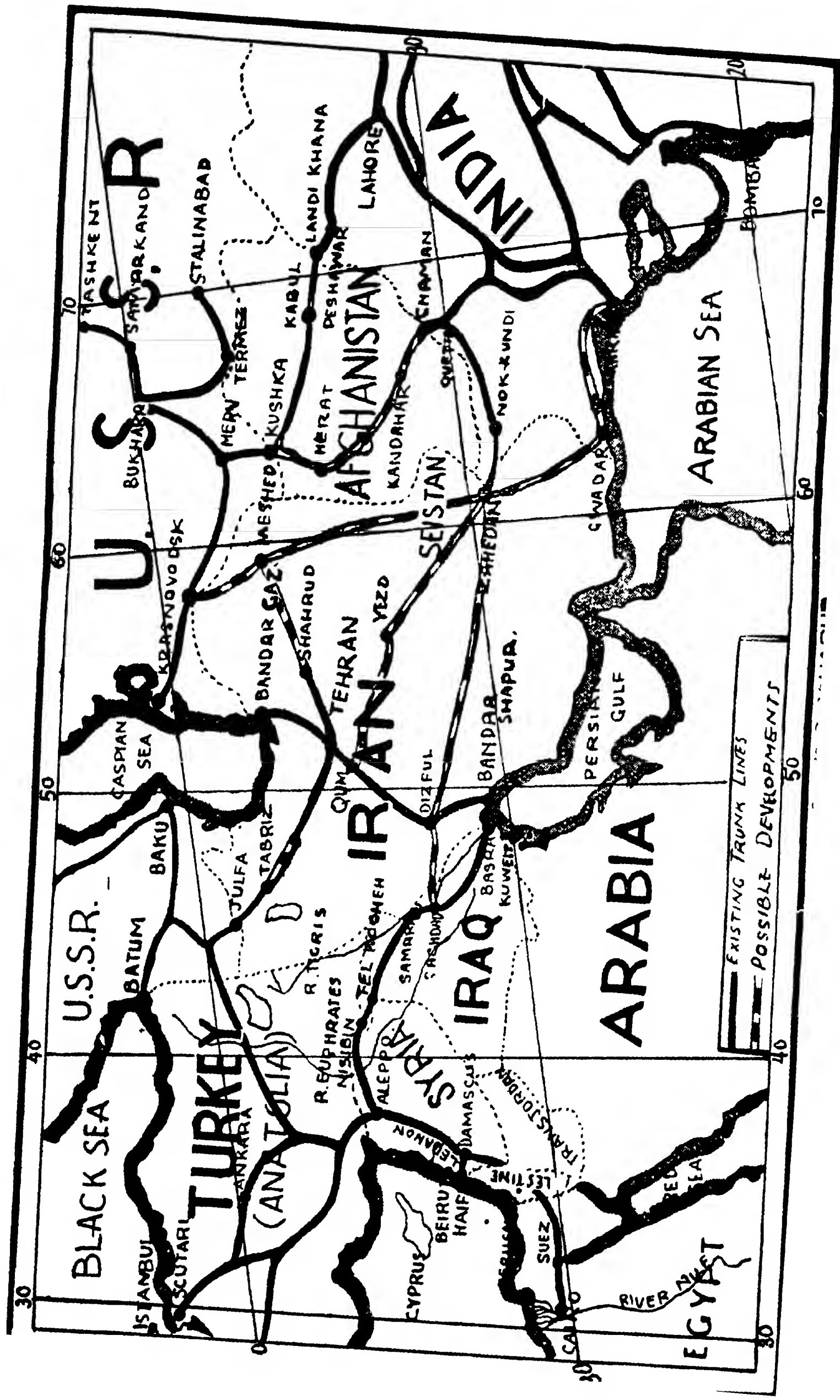
Kasre-Shirin Kerman Shah (by 177 kms); Sanandaj-Kermanshah (150 kms); Hamadan-Kerman Shah (40 kms); Hamadan-Takestan-Kazvin-Karaj (334 kms); Hamadan-Daulatabad-Dizful (510 kms); Tehlanchulan-Azna-Sultanabad (150 kms); Aragh-Dalijan (144 kms); Teheran-Malayer (382 kms); Kum-Isfahan-Shiraz-Bushire (10,33 kms) Isfahan-Nain-Yezd-Zahedan (1065 kms) Zahedan-Meshed (986 kms). Besides, Takastan-Hamadan-Kermanshah (385 kms), and Hamadan-Malayer (142 kms), roads were asphalted.

The Royal Engineers Works Services of the British Army, and later, in certain areas, the Americans improved all the main routes and converted them into first-class-highways, properly bituminised to prevent dust. Over these roads, thousands of tons of British and American munitions were carried for the Red Army. Over 6000 Iranians served as lorry drivers or mates on these roads. The organisation of this road transport system was placed in the hands of a Government concern backed by the U.K. Commercial Corporation, under the direction of military authorities. A net-work of petrol stations, repair depots and rest centres were established all along the main routes.<sup>14</sup> By July 1944, the total capacity of the roads to transport supplies to Russia had increased to about 5000 tons of tanks, guns and stores, per day, a supply almost as large as that of the railways.<sup>15</sup>

<sup>13</sup> "Mahre-Iran"—Teheran dated 2nd July 1942

<sup>14</sup> "The Statesman" dated 5th May 1943.

<sup>15</sup> Back Door to Russia—(Broadcast Talk from London by Brig. Sir Godfrey Rhodes.)





## § 2. RAILWAYS

### *Development of Railways*

Before the year 1925, as we have said earlier, there were no railway lines in Iran, except the one connecting Tabriz with Julfa, and some unimportant local lines. Attempts were, however, made, even before 1914 to construct some trunk lines, to help develop the economic resources of the country, but all these plans were delayed by international intrigue directed by a desire on the part of the different European powers, interested in the affairs of Iran, to have railway lines suited to their own particular ends. In 1925, the new Shah of Iran, Reza Shah Pahlevi, dodged every European power, by deciding to construct a cent per cent Iranian railway line from Bandar Shahpur on the Persian Gulf to Bandar Shah on the Caspian coast. This route was chosen to open up the rich plain of Mazanderan and to provide opportunities for the settlement of the nomadic tribes.<sup>16</sup>

The first practical steps were taken in May, 1925, when it was decided to finance the whole project from the proceeds of taxes on tea and sugar, thus dispensing with foreign aid (to the discomfiture of international finance). The plans were approved by the Assembly in March 1926, and on October 17, 1927, work began at each end. Companies representing different national interests took part in the construction programme, and after twelve years of hard labour on 26th August, 1938, a wonderful feat of engineering skill was accomplished by the successful completion of a 872-mile long single track standard gauge railway, at a cost of about 30 million pounds, not a penny of which was borrowed.<sup>17</sup>

### *The Trans-Iranian Railway*

This railway starts from Bandar Shahpur and after crossing flat country from Ahwaz to Andimeshk, climbs

<sup>16</sup> E. Sutton, p. 94.

<sup>17</sup> Ibid., pp. 92-93

up the hills for the next hundred miles or so, winds through deep gorges over numerous bridges and more than 100 long tunnels, many of them spiral, climbing steadily to 7000 feet at Firuzkuh, 163 miles from Teheran, and then begins a descent, one of the most spectacular in the world covering 4500 feet in a distance of less than 20 miles.<sup>18</sup> As an anti-climax, the line ends as it begins on mud flats at Bandar Shah in the south-east corner of the Caspian Sea.

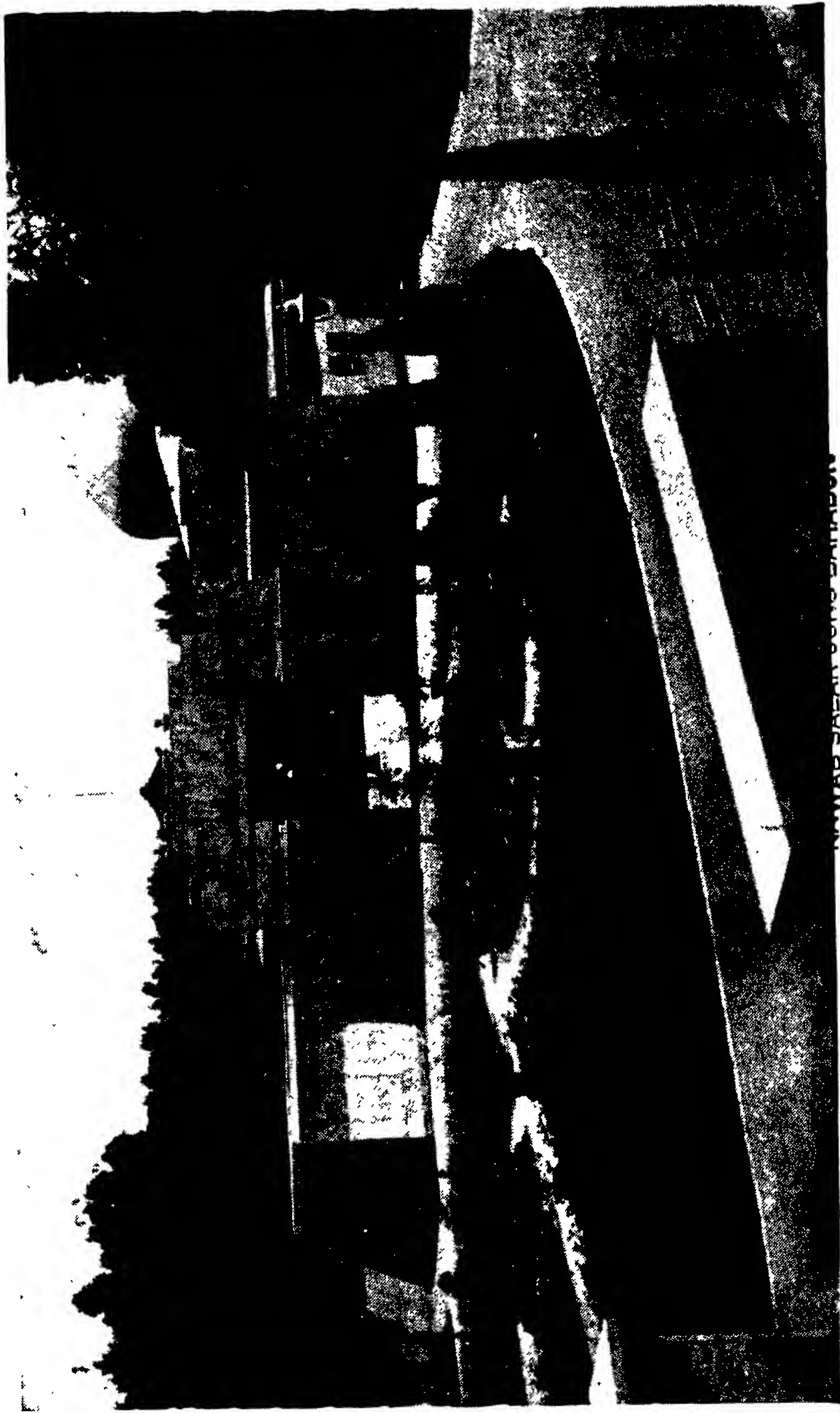
### *Development During War*

The Trans-Iranian line, passing through difficult country, is a miraculous engineering achievement. But, situated as it was in 1938, it was not capable of rendering any effective aid to the besieged Red Army. Attempts were, therefore, made in 1942 and 1943 to improve it and to make it capable of bearing the heavy strain of an endless stream of war supplies to Russia. It was, therefore, practically rebuilt by the Americans who took charge of the railway in September 1942. Loops and sidings were added to this line and the number of locomotives and trucks was increased by imports from Allied countries (one hundred and eighty locomotives and more than 5000 freight cars were added to the rolling stock by Americans alone).<sup>19</sup> By the end of the year 1944, the railway had about four times the rolling stock it had before the Allied occupation.

The locomotives were converted to burn oil instead of coal. A large increase in the number of repair shops, engineering works, and railway work shops was also affected. Thousands of Britishers, Americans, Iranians and persons of other nationalities were engaged to keep the line in an efficient state of repair. The Persian Gulf Command at its peak had approximately 30,000 American soldiers and 45,000 Iranian labourers.

<sup>18</sup> Ibid., p. 93.

<sup>19</sup> British Ministry of Information paper dated 10th March 1944. American News File Report, July 1944 issue.



A view of the Shah's Palace in Iran





**NAWAB SALAT JUNG BAHADUR**  
**A view of Railways in Iran**



Between January 1, 1943, and June 1, 1945, an average of slightly more than 17 trains plied daily between the two termini of the railway. During all this period, it served as the super-Burma Road to Russia. The United States Government supplied nearly 900,000 long tons (1 ton=.98421 long ton) of lend-lease material in the year 1943, 234,000 tons of material in 1944, and 334,000 tons in 1945, until in June 1945, the Government relinquished its control over the railway.<sup>20</sup>

The most notable achievement of the war was, however, the linking up of the port of Khorramshahr, formerly Mohammerah, on the Shatt-al-Arab with the main Trans-Caspian Railway, by means of a branch line 75 miles across the desert. The line served as an alternative to the line from port of Bandar Shahpur and reduced the pressure on the latter point.<sup>21</sup>

The Trans-Iranian line was only the preliminary to a net-work linking up the whole country. Branches were planned to link up Meshed, Tabriz and Yezd. Construction began on the 1st March, 1938. The first sector, (Garmsar to Semnan 70 miles), was completed in June 1938, at a cost of £ 925,000 under the direct supervision of the Ministry of Transport.<sup>22</sup> By May 1941, this line was extended to Damghan, 363 Kilometres from Teheran. In January 1939, the Tabriz line was taken in hand and reached Zanjan in October 1940 (160 miles), passing through Karaj and Qazvin. Incidentally, there has been, since February 1937, a through service between Tabriz and Eirvan in the U.S.S.R., and Turkey is planning a branch line from Klazis to the Iranian frontier. The Yezd branch will start from Qum and the section to Kashan is already in hand.<sup>23</sup>

<sup>20</sup> Land Bridge to Russia—Iraq Times, dated 16th September 1942.

<sup>21</sup> E. Sutton.

<sup>22</sup> Ibid.

<sup>23</sup> E. Sutton, p. 18.

## § 3. WATER TRANSPORT

Iran has two coast lines—the Caspian and the Persian Gulf, Indian Ocean sea board. There are some ports of importance on the Persian Gulf, e.g., Khorramshahr, Bushire, Bandar Abbas and Bandar Shahpur. The last was opened in November 1932. It is built on a mud flat and, therefore, consists at present of little more than a long railway jetty and a few administrative buildings; but the fact that even the largest ships can tie up alongside and that, it is the terminus of the railway, will stand strongly in favour of its rapid development. On the Caspian coast, the chief port is Bandar Shah, the terminus of the railway, where there is a jetty, nearly a mile long, and a number of railway repair shops. Pahlavi is still important for trade with Russia, and there are smaller ports at Bandar Gaz, Babolsar, Noshahr and Astafa on the Iran Russian frontier.<sup>24</sup>

On the Persian Gulf, there is a regular service of British India Steam Navigation Company's steamers; while before the war merchant vessels from Japan, Germany, Italy and America also used to visit the Gulf. The total tonnage entered at all Persian Gulf ports, in the year ending March 20, 1942, was 3,685,084 tons, of which Iranian goods amounted to only 44,008 tons.<sup>25</sup>

Caspian Sea ports are mainly confined to business with Russia. In 1942, out of a total of 155,454 tons of goods entered in Caspian ports, Russia accounted for 130,483 tons of goods.<sup>26</sup>

Iran has a very small merchant fleet of her own. The rest of her trade is carried on by foreign vessels. Other forms of water transport include navigation on the Lake of Urumia done by some 5 tugs and 9 barges. On the Karun river the Iran Transport Co., and the Karun

<sup>24</sup> Statesman's Year Book, 1944, p. 1180.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

Navigation Co., run irregular services for passengers and merchandise.<sup>27</sup>

#### § 4. AIR TRANSPORT

For the first time, Iranians experienced the thrill of an aeroplane in 1928, when the planes of Imperial Airways on their way to India were allowed to pass over Persian Gulf ports. For some time (1927 to 1932) the monopoly for air transport inside Iran was granted to Junker's, but it was withdrawn soon afterwards. Since 1935, the Iranian Government, through the Ministry of Communications, directly controls and runs these services.<sup>28</sup> Regular passenger and freight air services are now run from Teheran to Baghdad, Kermanshah, Bandar-Pahlevi, Tabriz, Meshed, Zabidan, Kerman, Niraz, Isfahan, Hamadan, Abiwaz, Abadan, Shiraz and Bushire. There is another service from Teheran to Bushire on the Persian Gulf. A weekly air service by British Airways, was also begun between Cairo and Teheran in November 1941. It is also proposed to start new services between Teheran and Karachi and Teheran and New York. In addition, the Anglo-Iranian Oil Company has also its own small fleet of planes, with aerodromes at Abadan and other oil fields. There are about 10 civilian aerodromes in the country, though most of the larger towns have their own landing grounds.<sup>29</sup>

#### § 5. POSTS AND TELEGRAPHS

The Ministry of Posts and Telegraphs runs efficient services in Iran. On the whole, the postal services are quite rapid and safe, though weather conditions sometimes affect punctual deliveries of mail, as majority of the posts are carried by roads. The actual operation of postal

<sup>27</sup> E. Sutton, p. 100.

<sup>28</sup> British Ministry of Information paper dated 10th March 1944.

<sup>29</sup> E. Sutton, p. 101.

vehicles is in most cases entrusted to private contractors, who also undertake the transport of passengers.<sup>30</sup>

The telephone and telegraph services are adequate, though not extensive. The telegraph system on March 21, 1942 attained a length of 12,885 miles with 30,355 miles of wire.<sup>31</sup> The telegraph lines were constructed and run up to 1931 by the British Indo-European Telegraph Company, and by the Government, but in that year all lines were taken over by the Iranian Government. The lines are limited in most places to single wires carried on flimsy wooden poles that collapse in heavy rain or storm. But still, on the whole, thanks to the efficiency of the staff, the service is quite satisfactory. During the war, huge telegraph and telephone installations were carried out by the Allies at a cost of £ 1.5 million. All these have now been sold to the Iranian Government for £300,000 only.

The telephone system throughout the whole of Iran is run by a private concern 'Societe General Anonyme Iranienne des Telephones.' Automatic telephones are now installed in Teheran.<sup>32</sup>

An airgraph postal service between Iran and United Kingdom and Eire came into operation during 1945.<sup>33</sup>

## § 6. BROADCASTING

During the past few years broadcasting stations have been opened in some of the important towns of Iran. In Teheran the broadcasting station was opened by the Crown Prince in April 1940.<sup>34</sup> Another city in which a broadcasting station operates is Tabriz. Wireless as distinguished from broadcasting stations also operate in Meshed, Kermanshah, Kerman, Khorramshahr, Bushire, Shiraz and Lingah. Teheran is in wireless communica-

<sup>30</sup> Statesman's Year Book, 1944, p. 1180.

<sup>31</sup> The Statesman dated 4th October. 1945.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> E. Sutton, p. 101.

tions with Europe *via* Tiflis and Beyrout.<sup>35</sup> The Anglo-Iranian Oil Company also owns a number of radio stations; they link up its various bases and isolated field parties. The number of privately owned radio sets is small (about 10,000) but to make up this deficiency a large number of loud speakers have been installed in open spaces and market places, and in cafés and cinemas.

<sup>35</sup> Statesman's Year Book, 1944, p. 1181.

## CHAPTER VIII

### CURRENCY AND BANKING IN IRAN

#### § 1. CURRENCY

The history of currency in Iran is one long story of muddle and chaos, of changing coins, fluctuating exchange rates and frequent debasement and devaluation of money. In the earlier times the *dinar*, a gold coin, was the unit of currency. In later times, it was changed to *toman*, and then to *abbasi*, *shahi* and *kran*. In the time of Fateh Ali Shah (1797–1834) the *kran* weighed 142 grains; in 1877 its weight was reduced to 71.04 grains.<sup>1</sup> The exchange rate of the currency was at one time 34 to the pound; at a later stage it was 103.<sup>2</sup> The minting of coins, in the initial stages, was farmed out to a large number of mints, in nearly every town of the country. Many of these mints made huge profits and engaged in regular profiteering. The practice also encouraged counterfeiting and the manufacture of spurious coins. This system was stopped in 1877 when a centrally controlled Government mint was established in Teheran.

There has been frequent tampering with the coinage. The weight and fineness of the coins have been changed times without number. The people, in such cases, were naturally the sufferers. Decrease in the weight or fineness of the coins was an indirect and a very severe way of taxing the people.

At present the legal monetary unit of Iran is the *rial* of 100 dinars (100 rials making one pahlavi). The change over from *kran* to *rial* took place in March 1932.<sup>3</sup>

<sup>1</sup> Wilson : Iran, p. 252.

<sup>2</sup> E. Sutton, p. 114.

<sup>3</sup> Ibid.

In March 1936, an arbitrary exchange rate of rials to 80.5 the pound was adopted, roughly equivalent to its purchasing power in Iran; at the same time private dealings in currency and exchange were prohibited. This value remained good up to December 1939, though in the "black market" its value went down to 120 and in Iraq even to 160.<sup>4</sup> In that month the rial was based on the dollar instead of sterling. The exchange rate against sterling, thereafter, fluctuated, rising to 53 in June 1940, and later becoming steady at about 69. In September 1941, the rate against U.S.A. dollars was altered and the middle rate for sterling became 141. In November 1942, the rate against sterling was fixed in a new currency law and the middle rate has since remained unchanged at 129 (buying rate 128 and selling rate 130) to the pound. The exchange rate in terms of dollar is 32 for buying and 32.5 for selling.

The exchange rate between the rial and the pound, between the years 1939 and 1944 fluctuated as follows:—<sup>5</sup>

June 1936 to March 1939 ..	..	..	..	..	60.5 rials
March 1939 to March 1940 ..	..	..	..	..	65.69 „
March 1940 to March 1941 ..	..	..	..	..	65.69 „
March 1941 to March 1942 ..	..	..	..	..	130.79 „
March 1942 to March 1943 ..	..	..	..	..	130.75 „
March 1943 to March 1944 ..	..	..	..	..	129.00 „

At present, there are no restrictions on the purchase and sale of sterling.

Theoretically, Iran has now a gold standard, the unit of currency being the rial, containing 0.07322382 grammes of gold.<sup>6</sup> But in actual practice, by virtue of a law passed on March 13, 1932, there is no obligation on the Government to pay out gold in return for notes. The former Asharfis and panjazaris (gold coins) are treated as bullion, being used for presents or hoarding, and their

<sup>4</sup> Ibid.

<sup>5</sup> Review of Commercial Conditions in Iran (1945).

<sup>6</sup> Statesman's Year Book, 1944.

value fluctuates according to demand. The currency in circulation consists of paper notes, and silver and nickel coins. The Bank notes are issued by the State Bank (Bank Mellie Iran) in demoninations of 5, 10, 20, 50, 100, 500 and 1000 rials. There are subsidiary coins of bronze of 5, 10 and 50 dinars, while the minting and circulation of token silver coins of 1, 2, 5 and 10 rials has been authorised by the Majlis (December 1943). The coin of 10 rials is known as the toman.

### *Paper Notes*

The bulk of the currency in circulation in Iran is in the form of notes, coins being used only for amounts of less than 5 rials. The notes are quite popular and are accepted even in the remotest villages.

The total amount of paper money in circulation in March 1945 was about 7,500 million rials.<sup>7</sup> The currency law of Iran of November 1942 provides that all notes issued in excess of a total of 3,500 million rials must be covered to the extent of their 60% value by gold or by foreign exchange convertible into gold, and to the extent of their 40% value by sterling or United States dollars, valued at the official rate of exchange.<sup>8</sup> At present, the note issue is backed by 93 tons of gold and 1092 tons of silver, amounting to about 56 % of the total note issue. The balance of the note issue is backed by the crown jewels deposited in the bank.<sup>9</sup> Thus it appears that the rial is one of the best backed currencies in the world.

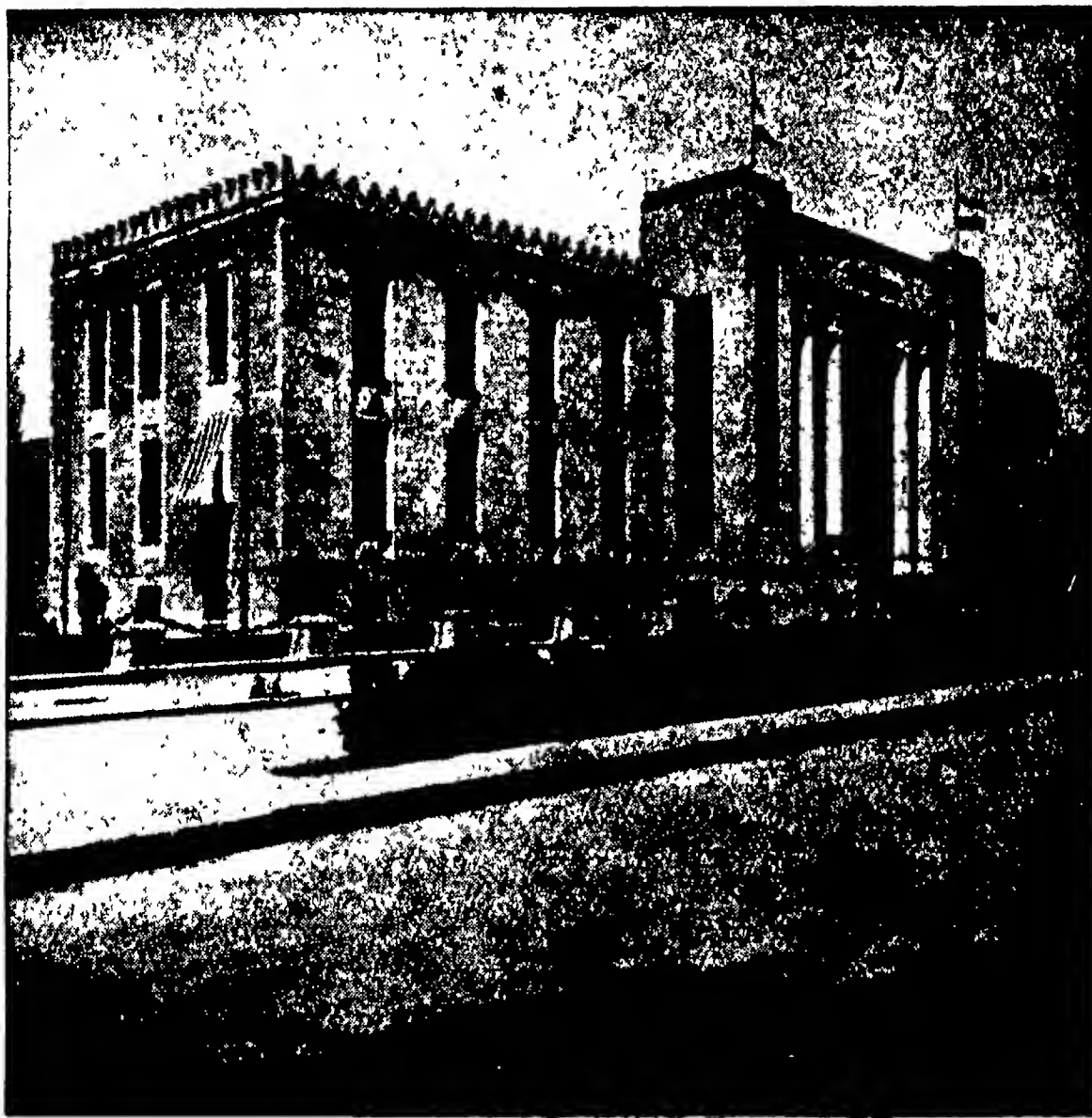
During the war years, there was a marked expansion in the total amount of paper currency in Iran. Before the war, the paper currency in circulation amounted to about 1400 million rials. By October 1943, this had increased to 4838, and by March 1945 to 7500, million rials. This means there was almost a five-fold increase in the note

<sup>7</sup> Pirnia : Economic Conditions of Iran, p. 21.

<sup>8</sup> Statesman's Year Book, 1944.

<sup>9</sup> Pirnia, pp. 21-22.





AB SALAR JUNG BAHADUR  
The National Bank of Iran



**The Post Office and Archway in Avenue Sipah**

issue. It is pointed out by some that this inflation has been one of the causes for the acute economic crisis and the rising cost of living in the country. The contention is not, however, entirely correct, for, during the war years, the expansion of currency was necessitated by the colossal Allied expenditure in the country. The economic crisis can be traced to other causes, viz., (i) increased purchasing power of the masses, (ii) unbalanced budget resulting in large borrowings, (iii) failure of the Government to apply price controls and (iv) speculation and hoarding of goods.

## § 2. BANKING

### *Oriental Banking Corporation*

Modern banking in Iran began in the year 1888 when the New Oriental Banking Corporation Ltd., (a European bank with branches all over the world) established itself in the country and opened branches in Teheran, Meshed, Tabriz, Resht, Isfahan, Shiraz and Bushire. It did not acquire any concession from the Iranian Government, and engaged itself in ordinary commercial business. As early as 1890, its business was taken over by the Imperial Bank of Iran, which purchased for £ 20,000 the Teheran lease and the whole equipment and good will of the Bank.<sup>10</sup>

### *Imperial Bank of Iran*

The second bank which made a history in financial success, was established in Iran in 1889, under an omnibus concession given by the Shah to Baron Julius de Reuter (the founder of Reuter's News Agency) on 25th July, 1872. The concession was of such a monopolistic and all-inclusive nature that it was found politically impracticable. It included full trading rights in addition to banking, the exclusive right of note issue under prescribed safeguards, exemption from taxation, and the exclusive

<sup>10</sup> Wilson: Iran, p. 266.

right of mining except as to precious metals and precious stones, and without prejudice to existing mining concessions. The mining rights which were to lapse if and in so far as they were not exercised within ten years were not in fact exercised and they lapsed accordingly. The Banking concession, including the note issue, was for sixty years. The royalty payable to the Iranian Government on the profits of the mines was to be 16% and the Bank royalty was fixed at 6% of the net profits.

The Bank was established in October 1889. Its capital of £1,000,000 was subscribed fifteen times over, at a premium of £2 per £10 share, which was paid to Baron de Reuter as the price of the concession.<sup>11</sup> In less than six years of its foundation, the Bank met with a great mishap. The exchange rate of the kran fell by 43 per cent and the Bank's capital, which was held in Iranian currency, had to be depreciated accordingly. The present capital of the Bank is therefore £650,000 only.

Until the year 1928, when the Iranian Government started its own Bank, the Imperial Bank constituted the sole trustee of the Government's banking affairs and the principal channel of the financial concerns of the public. It advanced loans to the Government and enjoyed the sole right of note issue. It earned record profits and made its reserve fund swell to many times its paid up capital. Under an agreement dated the 13th May, 1930, its right of note issue was withdrawn, in consideration of the payment to it of £200,000 by the Government.

At present the Bank has its branches in all the principal towns in Iran and at Baghdad and Basrah. In 1945, its credits amounted to £10 million.<sup>12</sup>

*Banque de Prets de Perse.* The year 1889 which gave birth to the Imperial Bank of Iran, records also the opening of the Banque de Prets de Perse (the name was later changed

<sup>11</sup> Ibid.

<sup>12</sup> Pirnia, p. 22.

to Banque d'Escompte de Perse), a subsidiary of the Russian State Bank. It was not a commercial bank but acted as a branch of the Russian Ministry of Finance. The methods pursued were similar to those followed in China. These consisted in using the Bank as a means of political power. Its operations were not conducted on business lines. It suffered heavy losses, but by lending large sums to the state and other underhand means, it firmly fixed its financial grip on Iran. It granted loans to Iran of Rbs. 22.5 million in January 1900, Rbs. 10 million in March 1902 and Ts. 6 million in 1910. These loans after the Bolshevik revolution in Russia, were cancelled by the Russo-Iranian treaty of 26th February, 1921, and the Bank, with the whole of its Iranian assets and liabilities, was simultaneously handed over to Iran as a going concern, and re-named Bank-i-Iran. This bank is still in the process of realising its old debts and settling the claims of depositors. It, however, transacts no new business and may be said to be under liquidation.

*The Ottoman Bank.* It is a British owned Bank constituted in the year 1863, and having its branches all over the Middle Eastern countries. It has two branches in Iran, at Kermanshah and Teheran, opened in the years 1921 and 1923 respectively.

*The Banque Russo-Persane.* It is a Soviet Bank, opened in Iran in 1924, and has now its branches at all important towns in the north. It is mainly concerned with the financing and control of Russo-Iranian trade.

*The Sepah Bank.* It is a purely Iranian institution founded by Reza Shah with capital borrowed from the army pension funds. It has branches throughout the north and does a moderate internal business in loans, discounts and inland bills. It has a capital of £1 million and a total of £10 million of credits.

*The Banque Mellie Iran.* The autonomy in the financial structure of Iran begins with the establishment of this national enterprise. It was started by a special Act of the Majlis passed in September 1928. The whole of

the capital of this Bank amounting to 300 million rials has been provided by the state, and it is now the principal repository of the Government's internal balances. Since 1930, the Bank enjoys the sole right of note issue. It has its branches in all towns of importance. The total amount of credit guaranteed by this Bank by the year 1945 amounted to 3,700 million rials of which about 2,500 million rials were provided to the Government.<sup>13</sup>

*The Agricultural and Industrial Bank.* This Bank was established in the year 1933, mainly with the object of granting credits for agricultural improvements and industrial development. It has a capital of 300 million rials, of which only 180 millions has been paid.<sup>14</sup> It has over 40 branches in the country and has recently financed irrigation works at Semnan, Kermanshah and Behbahan, and in Fars and Khurasan. The total amount of credits granted by this Bank to agriculturists and manufacturers, upto March 1945, amounted to 250 million rials.

*The Loan Bank.* It was started in the year 1939, with a capital of 200 million rials for providing capital to people to build houses etc. It has put large amounts of money at the disposal of people in Teheran and other cities for purposes of construction.

The art and technique of banking have developed very rapidly in Iran, specially during the last few years. A number of new projects have also been sanctioned. On January 15, 1939, the Majlis sanctioned the forming of a *Mortgage Bank*. On May 9, 1939, a *National Savings Bank* was inaugurated.<sup>15</sup> The number of depositors and investors has also been constantly increasing. In March 1939, the number of depositors and deposits in the Bank Mellie Iran's special savings account amounted to 6506 depositors and 10 million rials deposits; by March 1944,

<sup>13</sup> Ibid.

<sup>14</sup> E. Sutton, p. 114.

<sup>15</sup> Statesman's Year Book, 1944.

this number had increased to 97416 depositors and 145 million rials deposits.<sup>16</sup>

*Indigenous Banking.* It would appear from a review of the banking institutions of Iran given above that modern banking practices are still new to the country, and that, compared to the size and natural wealth of the country, the number of modern banks is extremely small. Most of the outside banking business is conducted by foreign banks. The internal business is confined to a few state enterprizes. In highly developed industrialised countries like England and U.S.A. banking constitutes their very soul of existence. In England, the number of banks is 12,000, and in U.S.A. more than 22,000. Compared to these, the banking institutions of Iran, appear like a drop in the ocean.

Most of the banking business of the rural classes in Iran is still confined to indigenous money lenders, money changers, merchants and zamindars. The peasants in the villages secure their credit from the zamindars who also provide them with seed and water. The cottage workers secure their loans from the city merchants. The rate of interest charged depends on the status and integrity of the borrower and on the value of his real estate. If loan is secured on mortgage of movable or immovable property the rate of interest varies between 12 to 30 per cent in accordance with the amount of money raised and the nature of property offered for mortgage. In the case of unsecured loans, the rate varies between 24 to 75 per cent.<sup>17</sup> Sometimes, the money lenders take a share of the produce of the peasants in return for their loans. In some cases, advances of barley for instance, are given against a receipt of an equal quantity of wheat, deliverable at the next harvest.

The amount of interest charged in all these cases is excessive. The only remedy for mitigating this evil,

<sup>16</sup> Pirnia, p. 22-23.

<sup>17</sup> M. K. Khan, pp. 73.



as pointed out earlier in the chapter on Agriculture, is the starting of co-operative societies in the villages. Co-operation is a sovereign remedy for all the ills of a backward society. It has succeeded in improving the condition of peasants and cultivators in all parts of the world. The 'war time co-operatives' of China are a standing tribute to this glorious institution. The experiment, therefore, deserves well worth trying in Iran.



## CHAPTER IX

### STATE FINANCE IN IRAN

The history of state finance in Iran can be divided into two distinct periods (1) finances before the constitutional regime of 1906 and (2) finances after the year 1906.<sup>1</sup>

*Before 1906.* Prior to the constitutional regime reliable statistics of Government income and expenditure are not available. In the absence of civil organization and public responsibility, and under the rule of an absolute monarch, it could hardly be otherwise. The income of the state was, however, derived from two sources:—(i) regular taxation; and, (ii) irregular income. Regular income consisted of the land tax, tax on animals, flocks and herds, taxes on shopkeepers and craftsmen, income from state domains, rents and leases and customs duties. The basis of land taxation was the tithe, or 10 per cent of the produce. The land tax was collected in cash and in kind, that is to say, a part of the tax was received in the form of wheat, barley, rice etc. The application and collection of land tax differed in various districts and, as the assessment was not regular and universal, there were many injustices in the methods of collection.

The tax on animals and herds was levied mostly on the tribes and in some cases, it was supplementary to the land tax. The tax on shopkeepers and craftsmen was in the form of a guild tax. The tradesmen, craftsmen and shopkeepers, in every district, were grouped together

<sup>1</sup> M. K. Khan, pp. 66-67.

under the heading of their special calling and were required to pay a fixed tax varying with every trade.

The income from state domains was in the form of a rent paid by the cultivators to the state. Under rent and leases were included the proceeds from concessions and monopolies owned or leased by the Government, such as posts and telegraphs, mints, mines, etc.

The customs duties in each province were farmed out to the highest bidder. There was no regular system of collection at the frontier; in consequence, customs duties were often collected partly at the frontier and partly in towns and districts. The 'farmers' in each district competed with their neighbours in other districts by reducing the tariff and so attracting more trade to their district. It was in 1899 that the customs were reorganized by Belgian officials on European lines and the old system was abolished.

The irregular income consisted of imposts arbitrarily and suddenly levied to meet a temporary exigency and some of them became regular revenues in course of time. Among these were included public requisitions levied to meet such expenses as the cost of wars, the receiving of foreign representatives, the construction of roads and royal palaces, the travelling expenses of the sovereign etc. Presents were generally made to the crown on festivals, or on occasions of receiving appointments from the sovereign; fines and confiscations were imposed on officials of the Government, chieftains and rebels for misdemeanours of various kinds.

Under the heading of expenditure were the upkeep of the army and the foreign office, payments to revenue collectors, allowances to Princes of the Royal House, the sovereign's civil list, pensions and annuities. The last items included regular annual payments to numerous parasites, who rendered no useful service to the state, yet drew large sums of money. A rough estimate of the total revenue and expenditure of Iran for the year 1888-89 made by Lord Curzon, will give some idea of the state

of finances of Iran in the pre-constitution period.<sup>2</sup>—

<i>Revenue</i>		<i>Expenditure</i>	
	Ts.		Ts.
Taxes paid in cash ..	3,607,676	Army .. ..	1,800,000
Taxes paid in kind ..	1,010,098	Shah's establishment,	
Customs .. ..	800,000	allowances to Royal	
Other sources ..	119,178	Princes and subsidy	
		to Royal tribe ..	1,060,000
		Pensions .. ..	1,000,000
		Deductions from	
		revenue for collec-	
		tion charges, defi-	
		cits and upkeep of	
		Government build-	
		ings .. ..	263,347
		Civil servants, clergy	
		and colleges ..	190,000
		Foreign office ..	100,000
		Navy .. ..	10,000
TOTAL ..	Ts. 5,536,952	TOTAL ..	Ts. 4,423,347

at  $33\frac{1}{2}$  = £1,565,820

at  $33\frac{1}{2}$  = £1,260,700

It would appear from an analysis of the expenditure given above that about 50% of the total expenditure was incurred on the Royal family; the rest was mainly spent on the army and navy. The expenditure on nation-building departments like education, health, industries, agriculture etc. represented an infinitesimally small percentage of the whole. It would also be evident from the above that, until the year 1888, the yearly expenditure was generally less than the annual revenue. Subsequently, however, the revenues decreased and many payments fell in arrears, which had to be met by loans.

*1906 and After.* Since the establishment of the constitutional regime in 1906, the state of Iran's finances has considerably improved. Soon after the constitution was inaugurated a Ministry of Finance was set up for the

<sup>2</sup> Wilson—Iran.

purpose of organising the finances of the country. In May 1911 the Government invited Mr. Morgan Shuster with a staff of assistants to reorganise its finances.<sup>3</sup> The first act of this mission was to introduce a system of centralisation in the revenues and expenditure of the state by establishing a Treasury General.

The American Mission was succeeded by a Belgian Mission which introduced the modern system of accounting, collected a good deal of information regarding possible sources of taxation, and above all educated a number of young officials to replace the old accountants. The Belgians left in 1915, when the administration reverted to Iranians. An Act was then passed by the Majlis explaining in detail the constitution of the Ministry of Finance, and a number of indirect taxes were approved and enforced. In 1920 a British Mission under Sydney Smith was invited, but owing to certain political reasons it was not able to proceed with its work. In 1922, Iran again turned to America and, a second Mission, under Dr. Millspaugh came to the country, and stayed there upto 1927. During this period, it did excellent work.

At the time that Dr. Millspaugh came to Iran in 1922, the finances of the state were in a hopeless mess. No regular budget was kept; the accounts which until 1888 showed a surplus had shown a deficit ever since; there were some 50,000 pensioner parasites on the Government pay roll, requiring annually almost a million tomans; the land tax was in arrears, and the assessments were obsolete.

The Mission soon set itself to removing all these evils. The pensions were largely commuted or disallowed; a cadastral survey was instituted; the land tax assessment was revised; the arrears were called in or compounded; the antiquated taxes were done away with. The vexatious system of local tolls and exactions was abolished and replaced by tariffs at the ports. The opium

<sup>3</sup> Ibid.

revenues were brought under firmer administrative control and increased; the tobacco excise was introduced. Finally, the range and incidence of taxation was widened by the inauguration of income-tax, stamp duties and registration fees.

The increase in the income and expenditure of the state after the year 1922 may be judged from the following table:—<sup>4</sup>

<i>Year</i>					<i>Revenue</i>	<i>Expenditure</i>
1922-23	..	..	..	..	Ts. 22,871,430	Ts. 25,507,891
1923-24	..	..	..	..	„ 23,111,860 (£5,250,000)	„ 24,131,048 (£5,500,000)
1924-25	..	..	..	..	„ 23,749,905	„ 23,498,818
1925-26	..	..	..	..	„ 29,067,659	„ 24,615,907
1929-32 (average)	..	..	..	..	£7,479,000	...

The average income of the state between the years 1922 and 1925 was £ 4,780,000. By the year 1931-32 it had increased to £ 7,091,117. In the year 1888-9, 14½% of the income was secured from customs and 83½% from direct taxation. By the year 1931-32, the position had been almost reversed; 58% of the revenue was received from customs and 28% from direct taxation.

By far, the greatest change in the financial position of Iran occurred after the adoption by the state of a vast programme of industrialisation in the year 1932. After this year several state owned enterprizes were started in the country. Agricultural and commercial development of the state began by rapid strides. The national income and hence the taxable capacity of the people increased. The terms of the D'Arcy concession were revised. The royalty payable by the Anglo-Iranian Oil Company to the Government rose from about £ 1.5 million to £4 million. The upward change in the revenues and expenditure of the state may, therefore, be noted from the following figures<sup>5</sup>:—

<sup>4</sup> Ibid.

<sup>5</sup> Statesman's Year Book, 1944.

## INCOME AND EXPENDITURE OF IRAN FOR SOME RECENT YEARS

(In 1000's rials)

<i>Year</i>	<i>Income</i>	<i>Expenditure</i>
1939-40	.. 1,930,096	2,613,482
1940-41	.. 3,094,393	3,210,973
1941-42	.. 3,613,768 (£45,000,000)	4,323,911 (£54,000,000)
1942-43	.. 3,137,866	3,137,695
1943-44	.. 7,676,710 (£59,500,000)	9,194,398

It will be noticed that the total income of the state, which amounted to only about £7 million between the years 1929 and 1932, rose to £45 million in 1941-42. This steady progress was, however, interrupted by the World War II and the Allied occupation of Iran. By the end of the year 1942, the economic situation deteriorated so much that it became necessary to take drastic steps. An American Financial Mission with Dr. A. C. Millspaugh again at its head was invited to the country. The Mission was placed in complete charge of the state finances, indeed, of the entire economy of the whole country. In May 1943, Dr. Millspaugh as Administrator-General of Finances was granted special executive powers to deal with the crisis. The more serious difficulties with which the Mission had to deal were concerned with the failure to balance the budget, the inadequate food supply, and the ever increasing rise in the cost of living. Dr. Millspaugh in order to deal with these problems advocated price-fixing, progressive income tax, reduction of expenditure, an internal loan, expansion of production, increased imports from abroad, better distribution of essential goods, rationing, sale of Government property, sale of silver and minting of token money.

Some of these reforms were put into practice, and they did succeed in increasing the income of the state in 1943-44. But before the whole programme could be carried through with vigour and ruthlessness, it met with

the strong opposition of vested interests in the country and Dr. Millspaugh was forced to resign his post in February 1945. His mission, however, stayed on, and it is still doing some commendable work.

The total income of the state in the year 1943-44 was estimated at £59 million. Most of this revenue was secured from indirect taxation. It will be noticed that the attitude of the people of Iran towards taxation is now rapidly changing. An increase in tax is now no longer deplored as a burden, but treated as a contribution towards common good. In the old days the Shah tended to regard the proceeds of taxes as pocket money for his personal use, and similarly the tax payer considered it fair to avoid payment as far as possible. Now people realise that the money they pay is for purposes that will benefit themselves.

### *The Iranian Budget*

The budget of the Government is divided into two parts (i) Ordinary, dealing with ordinary income and expenditure and (ii) Extraordinary, dealing with the revenue and expenditure of commercial and industrial undertakings of the Government. The ordinary budget for the year 1943-44 showed an estimated revenue of 1890 million rials and an estimated expenditure of 3,297 million rials. The extraordinary budget showed an estimated revenue of 5,796 million rials and expenditure of 5896 million rials.<sup>6</sup>

In the first part of the budget is described the income from income tax, excise tax, monopoly taxes, customs duties and royalties. The Anglo-Iranian Oil Company's royalty, amounting to about 16 million dollars a year, forms a big amount in the Government's ordinary revenues. Income from other sources in the year 1943-44 was as follows:—

<sup>6</sup> Ibid.



	<i>Million rials</i>						
Customs .. .. .	..	..	..	..	..	..	234
Octroi .. .. .	..	..	..	..	..	..	150
Excise on petrol and oil .. .. .	..	..	..	..	..	..	130
Excise on alcohol .. .. .	..	..	..	..	..	..	62.5
Sugar and tea monopoly .. .. .	..	..	..	..	..	..	119
Road tax .. .. .	..	..	..	..	..	..	53
Direct taxation .. .. .	..	..	..	..	..	..	310

The Ordinary expenditure namely, for defence, justice, health, education, irrigation, roads and railways, amounts generally to a figure larger than the revenue. The biggest item of expenditure in recent years is accounted for by the military. In the budget estimates for 1943-44 the expenditure on various items was as follows:—

	<i>Million rials</i>						
Ministry of War .. .. .	..	..	..	..	..	..	1000
Ministry of Interior .. .. .	..	..	..	..	..	..	546
Ministry of Health .. .. .	..	..	..	..	..	..	83.6
Ministry of Justice .. .. .	..	..	..	..	..	..	98
Ministry of Posts and Telegraphs .. .. .	..	..	..	..	..	..	133
Ministry of Education .. .. .	..	..	..	..	..	..	257
Ministry of Agriculture .. .. .	..	..	..	..	..	..	130
Ministry of Communications .. .. .	..	..	..	..	..	..	141

The Extraordinary budget deals with the income and expenditure of commercial and industrial undertakings, such as Government factories and mines, and profits arising from the distribution of monopoly commodities like sugar, tea, etc. Due to inefficiency in the administration of commercial undertakings, the budget for the second part also shows a marked deficit. All this deficit, together with any other in the first part of the budget, is met from public loans, raised internally, through the Bank Mellie Iran.

Iran does not have any foreign debts. The debts owing to Russia, amounting to £4.5 million, in 1920, were cancelled by the Russo-Iranian Treaty of 26th



February, 1921. The amount of foreign investments in the country's commercial or industrial business is very small (except in the petroleum industry). This is an important feature of the country's finance. All the schemes of industrialisation and construction have been financed through the capital provided by Iranian people themselves. Even the colossal expenditure on the construction of Trans-Iranian Railway was financed through sums levied through taxation.

The Government's internal debts are also small. Its only big creditor is the Bank Mellie Iran to which it owes about 2500 million rials.

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